Austria	Sch30	Indonesia	Rp3500	Pakistan	Rp35
Bahrain	Din1.000	Israel	Shk5.50	Philippines	Pso45
Belgium	BFr60	Italy	L2500	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es185
Czech	Kcs35	Korea	Won 2500	Qatar	QR10.00
Denmark	DKr14	Kuwait	Fils.500	S.Arabia	SR9.00
Egypt	E£4.50	Lebanon	L£1,250	Singapore	S$4.10
Finland	FM10	Lux.	LFr60	Spain	Pta200
France	FFr8.00	Malta	Lm0.50	Sweden	SKr14
Germany	DM3.20	Morocco	MDh11	Switz	SFr2.80
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft192	Nigeria	Naira25	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

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Section III

World News

Polls split as main UK parties spell out policies

Britain's two main political parties published their policy documents for the April 9 election as opinion polls gave conflicting signals. The latest poll showed the Conservatives with a two-point lead over Labour, contrasting with two surveys on Wednesday showing Labour five points ahead. Labour's restatement of plans to take control of the privatised water industry and of the national electricity grid brought sharp falls in shares of water and electricity companies. Election 1992, Pages 8-13; Editorial Comment, Page 18; Economic Viewpoint and Letters, Page 19; Lex, Page 20; London stock market, Page 35; Currencies, Page 42

Bush and Clinton win

President George Bush and Democratic governor Bill Clinton of Arkansas each strengthened their chances of winning their party's nomination for the November presidential election with convincing victories in the Illinois and Michigan primaries. Page 20; Analysis, Page 6

Bosnia 'breakthrough'

The leaders of the Yugoslav republic of Bosnia-Hercegovina claimed a breakthrough when they agreed in principle during European Community-sponsored talks to an independent state divided into three separate areas along ethnic and geographic lines. Page 20

Hopes for Gatt

Brussels expressed satisfaction that Chancellor Helmut Kohl of Germany would discuss the EC-US farm dispute with President George Bush this weekend. The rift has threatened to stall trade talks under the General Agreement on Tariffs and Trade. Page 3

Embassy blast claim

Islamic Jihad, a Shia Moslem Lebanese group close to Iran, claimed responsibility for the bombing attack on the Israeli embassy in Buenos Aires in which 11 people died. Page 7

Afghan peace plan

Afghan president Najibullah offered to hand over power to an interim government proposed by the United Nations as part of a plan to end the 13-year-old civil war

Baudouin recovering

King Baudouin of Belgium, 60, was recovering after what officials described as a completely successful heart operation in Paris.

German 'crack' seizure

German police reported their first significant seizure of "crack", when they seized 2.3 kilogrammes of the cocaine-based drug in a flat in the Bavarian Alps.

Ukraine N-bombs pledge

Ukraine has told Nato officials it will abide by a previous commitment to move all tactical nuclear weapons to Russia.

Sikh attack kills 18

Sikh militants killed 18 Hindus when they sprayed a busy bazaar with gunfire in Ludhiana, the second such attack in the Punjab industrial city in four days.

World Cup cricket

Zimbabwe won their first match in the cricket World Cup when they scored 134 all out against the favourites England (125 all out). Pakistan (167-3) beat New Zealand (166 all out) and Australia (216-6) defeated West Indies (159 all out). New Zealand play Pakistan and England will face South Africa in the semi-finals.

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Business Summary

Schweppes to pay $325m for Mexican mineral water company

Cadbury Schweppes, the confectionery and soft drinks maker, is buying Mexico's leading bottler and distributor of mineral water for $325m. It is one of the largest acquisitions of a Mexican business by an overseas company.

To fund three-quarters of the purchase of Aguas Minerales from Fomento Economico Mexicano, Mexico's largest beverage business, Cadbury Schweppes is raising £145m in a share placing that will expand its equity by about 5 per cent. The issue is priced at 425p a share, compared with yesterday's close of 433p, down 10p. Page 21; Lex, Page 20

LLOYDS Bank is furious with Midland Bank following its rejection of a takeover proposal after two months of negotiations. On Tuesday, Midland announced it had agreed to be bought by Hongkong and Shanghai Banking Corporation in a deal which is likely to create a transcontinental bank with a market value of £8bn ($14bn). Page 21

BTR, British industrial conglomerate, is to appeal against the European Commission's decision to impose an Ecu5m ($6.25m) fine on its subsidiary Dunlop Slazenger International for hampering competitive exports of its tennis and squash balls. Page 20

MCDONNELL Douglas, US aerospace and defence group, hopes to sell up to 49 per cent of its Douglas commercial aircraft subsidiary to Taiwan Aerospace and other potential equity investors by the end of this year. Page 21

FRANCE'S controversial plans to create a giant electronics to nuclear energy conglomerate are getting bogged down. Page 20

PECHINEY, French state-controlled aluminium and packaging group, is to buy the metal interests of its international arm, which is listed on the Paris bourse. Page 21

BAT Industries, UK tobacco and financial services group, announced an 8 per cent increase in its annual dividend although the payment will not be covered by earnings per share. Page 22; Lex, Page 20

HENDERSON Land Development, one of Hong Kong's leading residential property developers, announced a 12.4 per cent drop in profit for the six months to December. Page 23

ARAB Banking Corporation, the biggest international Arab bank, posted a $90m pre-tax profit in 1991 compared with a pre-tax loss of $47m in the previous year. Page 23

MICROSOFT, US computer company, said it would launch a new version of its widely used Windows personal computer program Page 24

BOWTHORPE Holdings, UK electrical and electronic components maker, announced an 11 per cent fall in profits as the impact from recession outweighed a strong performance in Germany. Page 27

BAYER, German chemical group, said operating profits in the first two months of this year were slightly below expectations, and it expected them to end close to last year's DM3.18bn ($1.93bn). Page 22

ASEA Brown Boveri, Europe's biggest electrical engineering group, announced a 2 per cent improvement, to $1.15bn (£650m), in 1991 pre-tax profits after financial items. Page 22

MOBIL, US oil and gas group, announced plans to cut its 1992 capital expenditure appropriations by $1bn (£570m) because of its concern about the business environment in the energy sector. Page 24

PLATINUM consumption by the automotive industry is set to rise by 55 per cent to about 2.4m troy ounces between 1991 and 1995. Page 30; Bush to act over car pollution; Page 7

Referendum win could herald multiracial government in months

South Africa votes YES

By Patti Waldmeir in Cape Town and Michael Holman in Johannesburg

PRESIDENT F.W. de Klerk yesterday promised to change the face of South Africa as he celebrated the white electorate's overwhelming endorsement of his reform policies.

"Today we closed the book on apartheid," President de Klerk told the enthusiastic crowd outside his Cape Town office.

In what is one of the most momentous decisions in their 400-year history, nearly 70 per cent of of the white voters in Tuesday's referendum voted for an end to minority rule.

Mr de Klerk captured the spirit of a remarkable day for South Africa when he told the country: "It doesn't often happen that in one generation a nation gets the opportunity to rise above itself. The white electorate has risen above itself in this referendum."

The mandate, a personal triumph for Mr de Klerk, who staked his political future on the outcome, could lead to the installation of an interim multiracial government within months.

The outcome marked "a fundamental turning point" in South Africa's history, said an exuberant Mr de Klerk.

"Today is the real birthday of the real, new South African nation ... let us use this magnificent result as a great impetus for what we have to do."

"We have changed, and we will change, the face of South Africa", said Mr de Klerk.

The South African president had staked his future on the outcome of the poll, called in the wake of the government's defeat in last month's Potchestroom by-election.

The prospect of a rightwing government trying to reintroduce apartheid and reviving international hostility clearly galvanised the 3.3m white electorates into an 86 per cent turnout.

The future of the rightwing Conservative party is now uncertain. Some members may pursue their claim for a white homeland at the Convention for a Democratic South Africa (Codesa), the forum for constitutional talks.

Others may echo the defiance of the CP leader, Dr Andries Treurnicht. "I will never enter talks where I have to beg for my freedom from Nelson Mandela", Dr Treurnicht said yesterday. "The struggle for freedom and survival is now continuing with even greater earnestness."

Mr Mandela, president of the African National Congress (ANC), described the outcome as "a source of encouragement to all in South Africa" – but continued to insist that sanctions should remain until an interim government was in place.

The international community reacted with unanimous warmth to the outcome of the referendum. Mr John Major, the British prime minister, said "the result would never have been achieved without the courage and leadership shown by President de Klerk. I congratulate the white electorate for choosing the path of reform."

US president George Bush welcomed Mr de Klerk's endorsement and said he believed all races should join in building a new democracy.

The results "clearly show an overwhelming vote in favour of continuing the reform process in that country," Mr Marlin Fitzwater, the White House spokesman said.

"White South Africans have voted yes for a just and democratic future and have said no to apartheid," he said.

President Franc,ois Mitterrand said France rejoiced at the massive yes vote while Mr Hans-Dietrich Genscher, the German foreign minister, responded warmly to the referendum result.

Chief Emeka Anyaoku, Commonwealth secretary-general, said the vote was "a vote of confidence in a non-racial future."

The reform, already well underway, will be given fresh impetus from yesterday's vote. The ruling National party and 18 other political organisations, including the ANC, have already agreed on a framework for a transitional administration.

The agreement, reached at Codesa, the country's forum for negotiations, provides for a multiracial power sharing administration which would draw up the country's post-apartheid constitution.

But ANC officials, deeply concerned by the continuing violence in black townships, struck a cautious note. The 30 per cent of whites who cast their vote for the rightwing Conservative party and its extremist allies represent a potentially destabilising factor.

With the last constitutional opportunity to prevent political change now closed, there are fears that some supporters of apartheid could turn to violence.

Analysis, Page 4
Editorial Comment, Page 18
The gamble pays off, Page 18

South African president F.W. de Klerk, surrounded by his cabinet, celebrates the government's referendum victory

Birthday gift for an unlikely reformer

MR F.W. de Klerk never misses a chance to utter the grandiloquent phrase, the neat and catchy sound-bite which tells his story so well, at home and abroad, writes Patti Waldmeir in Cape Town.

He was in rare form yesterday when the news came through that whites had risen above their twisted past to endorse his vision.

Flanked by his cabinet on the steps of Tuynhuys, the elegant Cape Dutch mansion which is his office in Cape Town, Mr de Klerk beamed at scores of white civil servants gathered to hear his victory address. "Today is the birthday of the new South African nation," he told them, to a roar of applause. It was his birthday - his 56th - and this was the best possible present.

The audience thundered its approval when he declared: "Today we have closed the book on apartheid."

Cynics might point out that his audience never found it necessary to challenge apartheid when it was government policy; and they did not demur yesterday, when he described the apartheid experiment as a "quest for justice" which had its origins in idealism.

But nobody was going to quibble with him yesterday: he had dragged whites into a multiracial future from which they could no longer retreat. And there was a great sense of relief that he had managed the task so successfully.

For others present like Mrs Helen Joseph, the 90-year-old anti-apartheid campaigner who has been victimised by successive National Party governments, it certainly was the end of an era. She remarked that before the referendum she had thought she would die before voting for the party which brought the world apartheid.

Bundesbank warns of tax rises to prop east German economy

By Andrew Fisher
in Frankfurt

THE BUNDESBANK warned yesterday that further tax increases may be necessary to support the east German economy.

The central bank gave the warning as it spelt out the full cost to west Germany of propping up the east, estimating that net transfer payments to the region would rise to DM180bn ($109bn) this year from DM139bn in 1991.

It also warned that further public borrowing to finance such payments could put a severe strain on economic policy. State indebtedness had to be reduced as quickly as possible by curbing spending.

The bank's transfer figures work out at DM3,000 per west German inhabitant. It said in its monthly report that the figures were equivalent to 5.5 per cent of west Germany's gross national product last year and 6.5 per cent this year.

The cost of propping up the east Germany economy, painfully recovering from 45 years of communism, is well beyond estimates made in the heady days of unification.

In 1990, Chancellor Helmut Kohl made an abortive election promise that no tax rises would be necessary to finance unity. This was to counter opposition charges that the costs were being underplayed to win votes.

The bank said yesterday more funds were urgently needed for investment, while accepting that the emphasis so far on consumption was unavoidable. East Germany, accounting for 20 per cent of the German population, contributed only 3.5 per cent of tax revenues last year. Domestic demand in east Germany, at DM360bn, was twice as high as its GNP.

The Bundesbank again complained that the federal government was having to contribute too much compared with the Länder (states) and local authorities. The Bonn government's net share (after tax revenues) was DM53bn, which would rise this year to DM74bn, or nearly 40 per cent of the total. States and local authorities would pay only DM12bn (DM8bn in 1991).

In addition, unemployment, short-time working, retraining, and job creation costs would account for DM30bn this year, the German Unity Fund for

Continued on Page 20

Bundesbank warning, Page 2

Japanese securities houses face big cuts in earnings

By Robert Thomson in Tokyo

LEADING Japanese securities houses yesterday sharply cut their earnings forecasts for the current year. Three of the Big Four said they would report net losses for the first time since the mid-1960s, and 10 of the top 14 predicted pre-tax losses.

The revisions show that the weakness of the Tokyo stock market and the spate of scandals over the last year have inflicted greater than expected damage on the brokers, which had predicted a second-half turnround in their fortunes.

Nomura Securities cut its pre-tax profit forecast for the year to March 31 from Y75bn ($577m) to Y45bn, well below the Y233.5bn earned in the previous year.

Yamaichi Securities, which had said that it would lose "more than Y10bn", yesterday confessed that the pre-tax loss would be Y34bn and the net loss would be Y52bn.

Nikko Securities, another of the leading houses, cut its forecast pre-tax profit from Y45bn to Y2.5bn, down from Y72.9bn last year, while the net loss is expected to be Y26bn. Daiwa Securities last week forecast a net loss of Y43bn, and said pre-tax profits would be only Y13bn, against Y119bn a year earlier and Y313bn two years ago.

All the companies said the poor results reflected the decline in commission income caused by falling market volumes and mounting book losses on their own stock holdings.

If these problems persist, a restructuring of medium and smaller brokers is a possibility, as many firms had rapidly expanded operations in the late 1980s, believing that the Tokyo market would continue to defy gravity. Firms have already cut capital spending and reduced staff intakes, and are reviewing the future of unprofitable branches.

The longer-term effects of the stock market's weakness were particularly evident among the 10 second-tier brokers, nine of which expect pre-tax losses ranging from Y3.9bn to Y47.5bn. The only exception is Kokusai Securities, which is strong in bond dealing, and forecast a small pre-tax profit of Y130m.

Several brokers reported large losses related to disputes with clients over tobashi, the practice in which brokers transfer lossmaking securities from one client account to another to take advantage of different book-closing dates and avoid the reporting of losses.

Yamatane Securities revealed yesterday that it had agreed to pay tobashi compensation totalling Y19.4bn to two clients, a finance company and a Tokyo bookseller, and that its chairman and president would resign to take responsibility.

Daiwa has already announced a Y72bn loss for similar reasons, and Cosmo Securities reported a Y36bn settlement with a restaurant chain.

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The baton of protest votes passes to Jerry Brown

As Patrick Buchanan's challenge to President George Bush fades, the baton of political protest is changing hands, passing to the former governor of California, Jerry Brown.
Page 6

MARKETS

STERLING
New York lunchtime
$1.73165
London:
$1.7325 (1.7315)
DM2.8575 (2.86)
FFr9.7025 (9.7175)
SFr2.5875 (2.59)
Y228.75 (231.0)
£ Index 89.9 (90.2)

GOLD
New York Comex Apr
$353.6 (340.6)
London:
$340.6 (339.4)

N SEA OIL (Argus)
Brent 15-day Apr
$17.825 (17.95)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.64935
FFr5.5995
SFr1.49335
Y131.97
London:
DM1.649 (1.652)
FFr5.60 (5.6125)
SFr1.493 (1.4955)
Y132.1 (133.45)
$ index 64.9 (65.0)
Tokyo close: Y133.2

US lunchtime rates
Fed Funds: $3\frac{7}{8}$%
3-mo Treasury Bills: 4.13%
Long Bond: $99\frac{13}{16}$
yield: 8.02%

STOCK INDICES
FT-SE 100: Yield 5.02
2,464.7 (−26.5)
FT-A All-Share:
1,185.78 (−1.0%)
FT-SE Eurotrack 100:
1,153.82 (+1.94)
New York lunchtime:
DJ Ind. Av.
3,250.45 (−5.59)
S&P Comp
408.59 (−0.99)
Tokyo: Nikkei
19,784.31 (−153.32)

LONDON MONEY
3-month interbank:
$10\frac{13}{16}$% ($10\frac{3}{4}$%)
Liffe long gilt future:
Jun $94\frac{13}{16}$ (Jun $95\frac{9}{32}$)

Bundesbank opposes money market funds

By David Waller in Frankfurt

THE Bundesbank yesterday declared broad support for the Bonn government's proposals to reform Germany's financial markets, but underlined its opposition to the introduction of money market funds.

The Bundesbank's comments, in its monthly report, follow the government's package of measures unveiled in January to strengthen Germany's position as a financial services centre. The proposals include establishing a centralised regulatory body for the securities industry, introducing tough laws against insider trading, and allowing money market funds in Germany.

The Bundesbank said it opposed the money market funds on the grounds that they would weaken its control over monetary policy.

The funds, a highly popular form of investment in the US and many European countries, give investors direct access to short-term money market instruments (such as Treasury Bills in the US) and pay a better rate of interest than short-term bank deposits.

The Bonn Finance Ministry believes that such products should be available in a modern financial services centre, but the Bundesbank maintains that they would endanger its minimum reserve policy – a central plank of its fight to constrain money supply growth and keep down inflation. Under minimum reserve policy, banks have to keep a proportion of all their deposits with the Bundesbank. These funds are then used to manage market liquidity.

"The possible shift of funds from bank deposits covered by the reserve requirement to a money market fund not covered by the requirement would lead to a reduction in the minimum reserve base and weaken the efficiency of the instrument of minimum reserves," the Bundesbank cautioned.

German banks are ambivalent about the product. They agree that money market funds ought to be available in a modern financial services centre, but fear that their costs would increase sharply if depositors moved their savings.

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EC urged to harmonise corporate tax rates

By Andrew Hill in Brussels

CORPORATE tax rates in the EC should be harmonised at between 30 and 40 per cent, according to an experts' report for the European Commission which could be transformed into legislative proposals before the end of the year.

The report, to be published in full in May, calls for rapid action to eliminate differences in national corporate tax systems, which it says are hampering cross-border business investment and shareholdings.

Brussels has already proposed a number of detailed measures aimed, for example, at harmonising the tax treatment of interest payments between companies. The committee recommends an extension of some of those directives.

But attempts to go further could fall foul of EC members' reluctance to let the Commission tamper with its domestic tax rates and systems. All tax measures require unanimous approval and as one national official said yesterday: "Hell will freeze over before any of these recommendations are adopted."

Mr Onno Ruding, the former Dutch finance minister who chaired the panel of experts, admitted there were political hurdles ahead, but said he was "not too pessimistic".

Mrs Christiane Scrivener, the EC tax commissioner, said she would table a paper inspired by the Ruding report in the next few weeks, but she did not specify which of the recommendations the Commission was likely to favour.

The report recommends that certain measures should be in place as early as the end of 1994. They include the removal of discriminatory differences in the way profits earned in another member state are taxed, and measures to enshrine a minimum corporate tax rate of 30 per cent. A maximum rate of 40 per cent could wait until the second phase of economic and monetary union (Emu), the report says.

A number of EC countries already have corporate tax rates within the 30-40 per cent band, but France, Germany, Greece, Ireland and Italy would all have to adjust their rates.

Brussels pledge on anti-pollution

By David Buchan in Brussels

MR Carlo Ripa di Meana, the EC environment commissioner, yesterday promised the Commission would consult industry and consumers on its anti-pollution plans at an earlier stage.

Presenting the EC's fifth environmental programme, setting general policy goals up to the year 2000, Mr Ripa di Meana conceded the Commission had been criticised in the past for "handing down bans from on high".

He proposed a "general consultative forum" in which the Commission would systematically seek the views of all interest groups before finalising its proposals.

The commissioner said he detected signs of a "more responsible" attitude by industry to the environment.

He contrasted the "long rearguard action" that EC car makers fought a few years ago against tougher emission controls with the "very encouraging" willingness by EC industrial producers and users of CFCs to phase these substances out, largely on a voluntary basis.

In the new consultative forum, industry "will have to speak out clearly" on its environmental views, Mr Ripa di Meana said.

More open consultation "will avoid the half-confidentiality on which so many misunderstandings have been based in the past", he added.

An Azerbaijani man mourns the death of his brother outside the ruins of their house in Agdam in the disputed region of Nagorno-Karabakh yesterday.

Leaders of Azerbaijan and Armenia have scrapped proposed peace talks this week, casting doubt on prospects for settling the Nagorno-Karabakh conflict, an Armenian spokesman said yesterday. President Levon Ter-Petrosyan of Armenia and acting Azeri President Yagub Mamedov had been due to meet today before a Kiev summit of leaders of the Commonwealth of Independent States.

Russia to remove curbs on energy price rises soon

By John Lloyd in Moscow

OIL AND other energy prices in Russia will soon be set free, according to Mr Vladimir Lopukhin, the Russian energy minister.

However, the date will be kept secret so that energy producers will not hold back supplies in order to charge higher prices later.

The price rises are expected soon, however, because the cost of subsidies is crippling to the Russian government under President Boris Yeltsin. In addition the income of the oil producers is insufficient to stimulate investment and greater production.

Speaking at a press conference yesterday, Mr Andrei Nechayev, the economics minister, predicted the oil rise would push up all prices by between 50 and 70 per cent. Mr Lopukhin said that oil now costs some Rbs1,650 per tonne to produce – but is sold at the state price of Rbs650 a tonne.

He said "the important thing here is to set prices at a level at which they could stabilise, and that they could motivate a growth in production".

However, they will not reach anything like world levels until the rouble finds a new parity against the dollar after a stabilisation programme - for which western support worth \$5bn-\$6bn is now being sought.

The energy minister is under great pressure from other former Soviet republics, especially Ukraine, to delay the oil price rise because of the economic effects it would have.

However, he stressed: "We have to raise the prices to a level permitting the oil industry to execute its investment programmes" – and said that Ukraine was already raising prices for oil piping to a level of Rbs40 to the dollar because this was the price it commanded on the world market.

"We all understand that nothing comes out of nothing, and that if Ukraine raises its prices it is natural we use equivalent prices here". Mr Lopukhin said he favoured "deep" integration of the Soviet energy, especially oil, industries with the world economy - though he stressed that the level of the development of the Soviet oil fields, meant that it already had "enterprises of world standard" which would dictate different forms of integration from those existing in third world countries.

The Russian government is finalising details of a mass privatisation programme which could place 50 per cent of the shares of Russian industry in private hands within a year, according to one of President Boris Yeltsin's closest foreign advisers, writes Robert Corzine.

Professor Jeffrey Sachs of Harvard University in the US said yesterday that foreign investors would play a key role in the sale of "dozens" of the largest enterprises in the oil, gas, telecommunications and car sectors.

Shares in thousands of other industrial enterprises would be offered to workers, management and the public through a system of individual vouchers and investment trusts, similar to those being used in privatisation programmes in Czechoslovakia, Hungary and Poland.

Desertions throw struggling CIS army into disarray

By John Lloyd and Chrystia Freeland in Kiev

ANOTHER warning of disintegration in the former Soviet army was delivered yesterday by Col General Viktor Samsonov, chief-of-staff of the armed forces, now under the collective control of the Commonwealth of Independent States.

Speaking to the armed forces daily newspaper Krasnaya Zvezda, Gen Samsonov said the army was facing widespread desertions and evasions of the draft in the face of rising ethnic struggles, especially in the Caucasus.

"The situation has arisen where we can no longer defend ourselves. There is no one left. There are units in which officers have to stand guard. It is shameful," he said.

Concern over rising dissatisfaction in the army has prompted the Russian government to create a Russian Defence Ministry, charged with preparing the ground for a Russian army. However, Mr Boris Yeltsin, the Russian president, stressed yesterday that the CIS remained "an issue of geopolitical and strategic priority for Russia".

Confusion over the future of the armed forces, and their weaponry, was underlined yesterday when Mr Yeltsin said Ukraine had backed down on its threat to retain possession of tactical nuclear weapons on its territory, while Ukrainian officials said they knew nothing of a change of policy.

Mr Yeltsin told deputies he had been assured by Mr Leonid Kravchuk, the Ukrainian president, that the missiles would be returned by July 1 as planned. A Nato spokesman was quoted as saying Ukraine had pledged to do so. Last week, Mr Kravchuk announced he would halt the transport of the missiles because of instability in Russia.

This is the second turnaround in Ukrainian policy. Ukraine has also agreed to jointly repay the foreign debt of the former Soviet Union, having insisted on individual repayments of its share.

El Sol shines no more

By Peter Bruce in Madrid

EL SOL, a colourful two-year-old attempt to topple El Pais from its position as Spain's biggest daily newspaper, gave up the chase yesterday and closed down, becoming the third Spanish daily to collapse in eight months.

The closure of El Sol, owned by Mr German Sanchez, a book publisher, completes a near rout of some six daily general and business newspapers launched during the economic boom of 1987 and 1988. Only two remain and one of those, the business daily La Gaceta, is struggling to stay alive.

An advertising slump is hurting most of the surviving eight daily newspapers that sell nationwide and at least two others, Diario 16 and the second largest business paper, Cinco Dias, are understood to be up for sale or looking for new investors.

El Sol, launched with a flourish in May 1990, survived as long is it did only because its publisher began a year ago to package it with reprints of a new, short, paperback book every day. It claimed circulation of 76,000 last year but this is probably an over-estimation.

The latest round of collapses began last August when Claro, a German-Spanish joint venture to produce a Spanish copy of Bild Zeiting, collapsed after three months. Launched in the hope that Spaniards would read a sensational tabloid, it failed hopelessly to appreciate the extent to which the traditional press, though typographically conservative, is already sensationalist.

It was followed quickly by El Independiente, a newspaper critical of the government but massively overstretched financially in order to attract big-name freelance contributors.

After all the threats El Pais, which sells nearly 400,000 copies a day and nearly 1m on Sundays, remains untouched as market leader. Only one of the new newspapers, El Mundo, now 45 per cent owned by the Italian publishers of the Corriere della Serra has succeeded. Its constant criticism of the government and investigations into official corruption have won it a daily sale of around 140,000.

Call for more aid to east Europe

By Andrew Baxter in Stockholm

POLITICAL and economic instability could worsen in eastern Europe and the Commonwealth of Independent States if western finance for urgent infrastructural investment is not increased, Mr Percy Barnevik, president of Asea Brown Boveri, warned yesterday.

At the annual results meeting of the Swiss-Swedish engineering group, Mr Barnevik urged increased western support for such projects and, especially, spending to boost nuclear power station safety. Referring to President Bush's response to the economic needs of the former Soviet Union and eastern bloc countries, Mr Barnevik said: "My advice to Europe's politicians is: forget about America. This is a European matter". Some \$20bn-\$60bn was needed to correct a huge "safety deficiency" at the 60 east European nuclear stations.

Of these, the 16 oldest Chernobyl-type stations were beyond rescue; it was unlikely another 10 could be upgraded to western standards without heavy investment. For the rest, "fast, urgent safety measures" were needed. For countries dependent on nuclear power for up to 50 per cent of their needs, such as Bulgaria, gas turbines should be made available quickly.

Estonia should receive western finance to switch from making electricity from oil shale, a "terrible way to produce it"; 15 per cent of Estonia's land surface had been destroyed in this way. The shortage of western aid is the main reason for ABB's discouraging view on short-term business prospects in eastern Europe. But Mr Barnevik remains convinced a huge long-term demand exists.

ABB advance, Page 22

Russian soldiers join UN peace-keepers in Yugoslavia

Afghan veteran shocked by Vukovar

By Laura Silber in Dalj

"I NEVER saw anything like Vukovar in Afghanistan," said Colonel Aleksandr Khomchemkov, a Russian battalion commander of the United Nations peacekeeping troops, of the devasted town in eastern Croatia.

Col Khomchemkov, who is part of the first ever Russian peacekeeping mission, earlier this week arrived in Dalj, just 15 miles north of Vukovar. He says: "It is a second Stalingrad, a terrible scene". Just then a civilian officer, anxious to adhere to the strict UN code of neutrality, nervously interrupts to point out that Col. Khomchemkov's comparison refers only to the level of destruction and not to the nature of the conflict.

Major Kumal Budhathoki, of the Royal Nepalese army, a veteran of two previous peacekeeping missions in Lebanon, says everyone was shocked by Vukovar, the town which bears grim witness to last year's three-month-long battle between Serb irregulars backed by the federal army and Croat national guards.

In Dalj, the scars of war are not as appalling as in Vukovar. The local school building which last August was littered with the corpses of Croat policemen and civilians and splattered in blood has been repainted. Here Col Khomchemkov and some 45 UN officers are billeted as part of a reconnaissance mission working to define the exact boundaries of the peace-keeping zone, set up communications and find accommodation for the 14,000 troops due to be despatched next month to three UN protected areas in Croatia.

Major Jan Mulder, of the Royal Dutch signal corps, said: "Five years ago I never would have said it was impossible to be in a joint force with Russians. Now there is no enemy."

All the officers appear to agree the main task is to keep the peace. Maj Mulder did not appear concerned about the distant gunshots he heard overnight.

Despite the optimistic predictions of success from the Belgian, Dutch, Russian and Nepalese officers, they are aware of perils awaiting them. A peace-keeper, who asked to remain anonymous, said he had served in Lebanon but called the situation in eastern Croatia more dangerous. He says: "In Lebanon we were welcomed by all but a small segment of the population. Here there is a great danger of being perceived as the enemy, either by the Serbs or the Croats. Then there will be no hope at all of keeping the peace."

NEWS IN BRIEF

Polish cabinet plans large spending cuts

POLAND'S government yesterday approved a controversial draft budget which would include large cuts in education, health and welfare spending in an attempt to curtail inflation, writes Christopher Bobinski in Warsaw.

The draft was presented to the cabinet by Mr Andrzej Olechowski, the finance minister who this week wrested assurances from the International Monetary Fund in Washington that the deficit of Zl65,500bn (\$4.9bn) written into the document was acceptable as a basis for talks on reactivating a \$1.6bn extended loan facility. The loan facility was suspended last year when Poland failed to meet its performance criteria. The IMF also agreed to encourage western governments to help finance some of this year's deficit.

Ministers expressed dismay at having their spending plans curtailed but Mr Marcin Gugulski, the government spokesman dismissed the possibility of protest resignations and said that "the entire cabinet would stand by the budget in parliament" when it is debated next month.

Portugal warns on EC spending

Mr Anibal Cavaco Silva, Portugal's prime minister, yesterday stressed the urgency of reaching agreement on a new-five-year financial package for the EC and warned that negotiations with potential new Community members would have to wait until after a financial agreement is finalised, writes Patrick Blum.

Speaking to foreign journalists, the prime minister also insisted that the commitment to European social and economic cohesion and the establishment of a special cohesion fund to help the EC's poorer members catch up with the richer EC states was an indivisible part of the Maastritch treaty. "Cohesion is now a fundamental objective of the Community," he said.

Airbus subsidy talks move to US

Talks aimed at resolving the row between the US and the EC over subsidies to civil aircraft manufacturers will resume next week in Washington after two-and-a-half days of discussion ended inconclusively in Brussels yesterday, writes Andrew Hill in Brussels. Negotiations between senior EC and US trade officials this week had been billed as the last chance to do a deal on subsidies before the self-imposed deadline of March 31. At that point the US may seek a ruling from the General Agreement on Tariffs and Trade (Gatt) disputes panel on the issue. An EC spokesman said yesterday there had been progress on technical issues, but added: "There are still problems of substance which are not negligible."

Finns vote to join the Twelve

Finland yesterday lodged a formal application to join the European Community only hours after its parliament voted in favour of membership, Reuters reports from Brussels. The Finnish under-secretary of state for external economic relations, Mr Veli Sundbaeck, handed over a one-sentence letter signed by President Mauno Koivisto and the prime minister, Mr Esko Aho, to the secretary general of the EC's council of ministers.

Cossiga tours Mafia heartland

In a calculated act of defiance to the Mafia, President Francesco Cossiga yesterday toured the Sicilian heartland of Italy's organised crime, Reuter reports from Palermo. "The state can be ruthless too," he told local police officials after last Saturday's murder by Mafia hitmen of Euro-parliamentarian Salvatore Lima.

French industrial output rises

French industrial production rose by 1.9 per cent in January from December, but the output index was just 0.4 per cent higher than in January 1991, according to seasonally adjusted data from national statistics office, Insee, Reuter reports from Paris. The fall in December production compared with November was revised to 1.2 per cent from 0.9 per cent. That represented a 2.6 per cent increase over December 1990.

WORLD TRADE NEWS

EC fears Gatt obstacle to farm reforms

By David Buchan in Brussels

BRUSSELS yesterday expressed satisfaction that Chancellor Helmut Kohl will take up with President George Bush this weekend the farm dispute between the EC and the US, which has threatened to stall the trade talks under the General Agreement on Tariffs and Trade (Gatt). But it was also concerned lest a Gatt ruling on soya beans push EC reforms off track.

Mr Ray MacSharry, the EC farm commissioner, said he was confident the German leader's discussions at the White House would "cover all aspects" of EC concerns about proposed Gatt farm reforms, and not just the US restraint on cereal substitute exports that Mr Kohl was reported to be seeking.

"Once serious consideration at this level is given to recognising Community concerns, we can be hopeful," he said. Recent EC-US contacts had produced some progress, but it was not yet sufficient.

The commissioner said he could not comment on the still-confidential Gatt panel ruling this week, which is understood to have sided with the US in criticising the Community's system of direct subsidies to soya bean producers. But he said: "I am satisfied that these per hectare payments will be allowed – otherwise it will not be possible to have reform accepted by the EC Council of Ministers."

After Gatt ruled in 1989 that the EC was discriminating against imports, the EC switched payments away from intermediary soya crushers to EC soya growers, calculated on a per hectare basis. This form of direct support was considered a precursor to Mr MacSharry's subsequent overall reform of the common agricultural policy (CAP). This is why Brussels is concerned lest Gatt overturn its principle.

Mr MacSharry yesterday confirmed he was proposing a roll-over of existing farm prices for 1992-93. Proposing cuts would only distract EC ministers from the far more important goals of CAP reform and a Gatt deal, which would themselves lower prices.

US near deal with Mexicans on tuna

By Frances Williams in Geneva

THE United States and Mexico are near agreement on arrangements to end dolphin deaths in tuna fishing nets and pave the way for a lifting of the US embargo on imports of yellowfin tuna from Mexico, Venezuela and some 20 other nations.

The embargo was condemned by a disputes panel of the General Agreement on Tariffs and Trade (Gatt) last year as contrary to international fair trade rules, to the fury of environmental groups in the US and elsewhere who want to use trade sanctions to enforce "green" behaviour.

Mr Jesus Seade, Mexico's ambassador to Gatt, told Gatt's governing council yesterday that the proposed multilateral accord would involve a five-year moratorium from March 1994 on yellowfin tuna fishing using purse nets in the eastern tropical Pacific.

Mr Rufus Yerxa, US ambassador to Gatt, said the US administration was putting forward legislation to Congress that would promote an international solution to dolphin protection and end the embargo.

The Gatt panel on the US embargo, imposed on Mexico, Venezuela and about 20 countries re-exporting yellowfin tuna from these two countries, was originally requested by Mexico. It later dropped the issue in the interests of good relations with the US during talks on a North American Free Trade Agreement.

Japan finds the going hard

WINNING the world competitiveness race has not brought peace of mind to Japan, senior executives confess in a survey published today, Frances Williams reports from Geneva. While Japan's top businessmen say their country has the edge in technology development strategies and "values supporting competitiveness", they rate their quality of life below that in competitor countries and say the political system needs shaking up.

The survey covered 3,300 top executives in 36 countries. More disparaging of their quality of life than Japanese were Turkish and Portuguese executives. The Swiss and Austrians saw their life as the best. The survey was by the Swiss-based World Economic Forum and the International Institute for Management Development in Lausanne.

Bush and Clinton wins send signal on Nafta

By Nancy Dunne in Washington, Damian Fraser in Mexico City and Robert Gibbens in Montreal

THE victories of President Bush and Governor Bill Clinton in Tuesday's Michigan and Illinois presidential primaries have sent a signal to negotiators to push on with the North American Free Trade Agreement (Nafta). Despite protectionist rhetoric from their opponents, both candidates held firm in support of the pact, though Mr Clinton said it must be "the right kind of Nafta", with labour and environment rules.

On Tuesday, Mr Bush spoke by phone with President Carlos Salinas de Gortari and Canada's premier Brian Mulroney. A US trade representative spokesman said the US and Mexican leaders "reaffirmed their commitment to Nafta". Mrs Carla Hills, US trade representative, said last week the negotiators had been making remarkable progress and a preliminary text could be sent to Congress for review this year.

Mr Mulroney said "agreement in principle is possible once several matters of substance are resolved". Problems remain on cars, energy, financial services and agriculture, but the US and Mexico are near accord on a domestic-content rule they believe would set up a North American clothes-making area competitive with Asian producers. The Mexican presidency said the three leaders thought the talks were moving "at a satisfactory pace". Their teams would keep meeting to close an agreement. Top negotiators meet in Washington on March 23.

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Waste dump row blows up

MEXICO has criticised the US for planning to go ahead with building nuclear and toxic-waste sites on the Texas-Mexico border without appropriate consultation, Damian Fraser reports from Mexico City.

Mexico's foreign ministry said the sites would violate the 1983 La Paz environmental co-operation accord. It has told its ambassador in Washington to solicit "urgently and formally" information on the building of the waste dumps, and rejects "whatever suggestion" that the decision to build the sites is part of the exclusive jurisdiction of Texas.

The row comes just after the US and Mexico agreed a joint border environmental plan meant to herald a new spirit of ecological co-operation and defuse fears that the proposed Nafta agreement would further pollute the border area.

Exporters keen for CIS deals find back-up lacking

Throughout the west, a strong unanimity exists – unwillingness to provide the cover needed

THE PROSPECT of doing deals in the fast-liberalising central European countries that used to make up the Soviet Union is tantalising. The reality is more sobering, and the single most critical barrier is finance: the freezing of joint-venture bank accounts, announced early in March, is the latest contributor to chronic uncertainty.

Exporters keen to do deals are anxiously awaiting agreement between the International Monetary Fund and the Commonwealth of Independent States (CIS) on a programme to manage debt repayments, share debt responsibilities between the republics and identify sovereign guarantors.

But they would be rash to expect the IMF programme to provide the transparency and security they seek. In view of already giddying levels of exposure to possible CIS default in countries such as Germany and Italy, there can at best be a cautious and selective resumption of business.

To pinpoint good business in the chaotic atmosphere of the former Soviet Union is a perplexing matter. Trading and financial institutions have disappeared overnight. People experienced in foreign trade are on the move. Privatisation plans are creating turmoil in Russia.

Inexperienced officials in other republics are wrestling with the awesome task of filling the void left as Moscow-led institutions have been cut adrift. Raw material supplies to factories are in jeopardy wherever they can be sold to the west for foreign exchange. Banks that can be trusted as sovereign guarantors for projects are almost totally absent outside Russia.

Even government-backed loans, such as the £280m offered to Russian President Boris Yeltsin by UK Prime Minister John Major during a London visit in January, are blocked until the IMF has agreed a programme with the former Soviet republics. This would have to include identification of sovereign guarantors.

Already a queue of more than 300 UK projects hopes to tap the British loan. It is clear that even the most worthy and viable of projects can expect little in the way of export credit cover. Country by country throughout the west, an uncommon unanimity exists over their unwillingness to provide export credit cover. Instead of "caveat emptor" the watchword is "caveat vendor".

FROM GERMAN CURBS TO ECGD COYNESS: FT WRITERS LOOK AT EACH COUNTRY

☐ **GERMANY:** The exposure of the country's Hermes export credit insurance agency on contracts with the former Soviet Union amounts to around DM30bn (£10.4bn).

The government has imposed a ceiling of DM5bn on any further credit guarantees in the current year. This will be reviewed at the end of March.

Apart from the DM30bn in Hermes exposure, a further DM11bn is outstanding in untied, government guaranteed credits to the former Soviet republics.

In addition, some DM23bn of export contracts have "agreement in principle" for Hermes insurance, if they are realised. A further DM70bn worth of applications for insurance is in the pipeline.

The immediate cost to the German exchequer of the Soviet payments' crisis is only DM1bn in the current year – the cost of the debt deferral scheme negotiated by the Group of Seven (G7) industrialised states. That burden is likely to increase quite rapidly if the payments crisis continues.

☐ **UNITED STATES:** The Department of Agriculture has been rather more forthcoming than the Exim bank, where exposure to the risk of non-payment for contracts with the CIS is thought to be less than $100m.

The department, committed to aiding US farm exporters, has since 1990 provided credit guarantees amounting to $3.1bn through the Commodity Credit Corporation. It insists that no more will be forthcoming until after repayments start coming in. Another $650m may soon be allocated.

☐ **ITALY:** The government, in line with the Paris Club, now regards its exposure to the CIS as split between that to Russia and the rest of the former Soviet Union. This is because Mr Yeltsin has given guarantees assuming Russian obligations, while the situation in the other republics, both legally and financially, is much more obscure.

Total exposure on this basis at the beginning of January is as follows: L1,115bn (£516m) is at risk in Russia; L4,850bn in medium-term and L713bn in short-term credits is at risk in the rest of the former Soviet Union.

Payments will technically be in arrears by the end of March. Essentially, all the above is covered by Sace, the export credit guarantee body. Arrears at the beginning of January totalled $500m, none of which was covered by export credit guarantees.

In addition, the Italian government has agreed L5,000bn of credit lines to cover trade between 1990-94. This would be backed by Sace, but none has been drawn down.

Separate from these credit lines is a L2,200bn facility agreed directly by the Italian Treasury in 1990. Of this, L1,200bn is to cover balance of payments needs and L1,000bn for arrears. The bulk is going to Russia.

☐ **FRANCE:** The country's banks were among the fastest growing lenders to the Soviet Union from the middle-to-late 1980s but have scaled back new loans in the recent years.

Their exposure fell from FFr54bn (£5.5bn) at the end of 1989 to FFr23bn by the middle of 1991, with FFr7.6bn of this guaranteed by Coface, France's main export credit agency.

The guaranteed portion is political risk, backed by the state. Of the total, FFr20.8bn is long-term, for seven years or more. The biggest lenders are BNP, Crédit Lyonnais, and Société Générale.

French banks are pressing the French treasury to declare the former Soviet Union a "risk country" – or countries – so that they can make tax deductions for their provisions on loans there.

France agreed a FFr2bn credit line last November for the purchase of French grain. In 1990, it agreed a FFr2.5bn line, again for food purchases. There was also a FFr5bn official credit line in October 1990 for food, equipment and loan refinancing.

☐ **BRITAIN:** The Export Credits Guarantee Department remains coy about the level of its exposure to the former Soviet Union. Contracts at risk are thought to amount to just under £1bn. Prime Minister John Major agreed in January a new £280m credit line, but this will be blocked until the CIS agrees a programme with the IMF, and sovereign guarantors have been identified.

REPORTING BY:
David Dodwell *in London*, William Dawkins *in Paris*, Nancy Dunne *in Washington*, Robert Graham *in Rome and* Quentin Peel *in Bonn.*

A Cumbrian field as seen from a Carlisle to Euston train.

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Hope at last for a peace throughout southern Africa

THE almost tangible sense of relief that gripped South Africa yesterday will be felt well beyond the country's borders.

The white electorate's ringing endorsement of President F W de Klerk's search for a negotiated settlement has as many implications for a long suffering region as it does for South Africans themselves.

After three decades of conflict, costing hundreds of thousands of lives and causing incalculable material damage, southern Africa can hope that peace is, at long last, at hand.

Not all the trials and tribulations of the states of the region can be laid at apartheid's door. Mismanagement and incorrect policies have contributed to their predicament.

But just as the region's wars have been the single most damaging factor, so a regional peace and a stable, friendly post-apartheid South Africa will be the single most important factor in their efforts to revive often shattered economies.

Like a malign, irascible, unpredictable giant, apartheid has dominated southern Africa, first propping up minority white governments, later cajoling, coercing or cudgelling black-ruled neighbours into submission.

From Angola on the western seaboard to Mozambique in the west, not a country escaped the tactics of Pretoria, sometimes brutal, sometimes misleadingly benign.

Mozambique, still battling rebels who not so long ago enjoyed Pretoria's support, has endured both.

As one arm of the South African government helped Mozambique's rebel Renamo movement sabotage vital equipment, such as railway rolling stock, the other arm would be providing help in the form of locomotives from South African Railways.

"It is like that Marx brothers film," said one Mozambican official at the time, "where one of the characters went down the street throwing bricks into shop windows, followed by his pal, a glazier who then mends them – for a price".

Pretoria's campaign, which only ended when President de Klerk took office two and half years ago, had two main objectives.

The first was to drive the guerrilla wing of the African National Congress out of its bases in Angola and Mozambique, and keep them out of Botswana and Zambia, in an effort to create a cordon sanitaire around South Africa.

The second was to ensure that South Africa controlled the region's routes to the sea, and direct the bulk of the area's trade through South African ports.

Mozambique tried in vain to resuscitate what had before independence been an important source of income – its ports and railways which served the southern African hinterland of Zimbabwe and Zambia.

Admittedly, the region provided fertile soil for South African intervention.

Support for Dr Jonas Savimbi's Unita rebels fueled Angola's civil war; but the authoritarian stance of the avowedly Marxist MPLA cost the government much sympathy.

Southern Africa also had the misfortune to become a focus of super-power tension, and the battlefield for proxy battles – with the US providing military assistance to Unita in their war with the MPLA, backed by the Soviet Union and some 50,000 Cuban troops.

"Southern Africa has had to undergo two wars of independence," said one African diplomat recently, looking back on events since 1960.

"The first was seeking to end colonial ties with Britain or Portugal, the second with South Africa when we became the front line states".

"The second has been the toughest – being caught up in South Africa's struggle".

For Angola, Mozambique and Zimbabwe, the first round was costly enough. In Rhodesia's (now Zimbabwe) guerrilla war of independence over 25,000 lives were lost.

Angola, like Mozambique, was born into chaos as a coup in Portugal in 1975 saw the collapse of colonial rule and the exodus of hundreds of thousands of settlers.

But as the African diplomat indicated, the second round of fighting proved the most devastating for Mozambique and Angola, caught up in civil wars skilfully exploited by Pretoria.

The final toll of the war in southern Africa will never be known. Directly or indirectly, whether through war or famine exacerbated by conflict, hundreds of thousands of people have died.

For these front line countries, trying to sustain fragile ceasefires, yesterday's referendum will be seen as a critical step in a peace process that got under way in the late1980s.

Sapped by sanctions, drained by conflict at home, and acknowledging that apartheid was unworkable, Pretoria ceded independence for Namibia in a deal that paved the way to the withdrawal of Cuban troops from Angola, and the ending of the country's civil war.

The process is now culminating in the most important development of all, reaching into the heart of violence in southern Africa: the devastating giant has taken a fundamental step towards reaching peace at home.

Michael Holman

Timetable to multiracial cabinet

Vote heralds rapid accord on interim government

AGREEMENT on a multiracial interim government should be achieved rapidly by South Africa's constitutional negotiating forum, the Convention for a Democratic South Africa (Codesa).

Codesa has yet to agree and there are many issues still to be negotiated, but a three-phase plan has already emerged from the bilateral talks between the two main participants, the government and the African National Congress (ANC). Their proposal is as follows:

- By the end of next month, Codesa could announce an agreement on interim government. The existing tricameral parliament, which includes separate houses for whites, coloureds and Indians, must then give the agreement legal force.

A multiracial Interim Government Council could be established by June, appointed by the 19 parties and groups represented at Codesa. The council would likely hold veto powers over the country's existing cabinet, though this has yet to be agreed. Independent commissions would be established to oversee the public media and preparations for elections.

Four multi-party committees would oversee foreign affairs, security, local government and the budget. The tricameral parliament would continue to sit while multiracial legislative elections were prepared.

- By at least mid-1993, elections would be held for a multiracial interim legislature that would draft a new constitution. The interim legislature would probably comprise only a single legislative chamber instead of the two originally insisted on by the currently ruling National Party. Seats would be allocated by proportional representation, with decisions on the constitution requiring a two-thirds majority.

By mid-year, the Interim Government Council would be replaced by a new cabinet representing, on a roughly proportional basis, the parties elected to the legislature.

The National Party has proposed that parties pass a 15 per cent threshold for representation in the cabinet, but this, as it would exclude everyone but the ANC and National Party, will be resisted in Codesa. Cabinet decisions would be taken by consensus; the National Party wants the presidency to be held in rotation by different parties.

- The new constitution would be agreed by mid-1994. Multi-party power-sharing, either entrenched in the constitution or agreed informally, would continue for at least five years, with decisions agreed by consensus. It is not clear whether there is agreement for a rotating presidency or for a single elected president.

Regional elections would be held to regional legislatures. The National Party wants each party represented in the regional assemblies to be allocated an equal number of seats for that region in the upper house envisaged for the new national legislature that will follow the interim arrangements.

This would give minority parties a disproportionately large influence in the upper house, a measure that has not been agreed by the ANC, which has assented only to strong regional government.

The National Party hopes that the long period of consensus government will mean that the consensus principle will survive even after full majority rule is achieved by the end of the century.

Patti Waldmeir

Blacks in Johannesburg – above – celebrate the referendum results before marching on police HQ to demand an interim government. In Soweto, there was also relief at the outcome with residents saying they were more determined than ever to exercise a vote, Reuter reports. In Cape Town, Anglican Archbishop Desmond Tutu said: "Good sensible people must be breathing sighs of relief. The Conservative party and its neo-Nazi allies have eaten the dust in a way that is very satisfying." He urged Mr de Klerk to move like "greased lightning" in talks aimed at a non-racial democracy.

Closer ties predicted

Financial markets cheered but remain cautious

CLOSER trade, investment, and financial links with South Africa were predicted in the financial and business community yesterday following the referendum, although there was caution about the future.

Commerzbank, one of Germany's largest commercial banks, said it would proceed with a bond issue for Escom, the electricity utility, which had been postponed during the referendum period. It will lead an international consortium for the issue.

German banks have already paved the way for South Africa's return to the international capital markets after a six-year absence. Deutsche Bank, the country's biggest bank, was the lead manager in a DM400m issue for the republic last September, increased from DM300m because of strong investor demand. The lending syndicate was dominated by German banks.

Deutsche Bank yesterday welcomed the outcome of the referendum, as did Mercedes-Benz, one of Germany's largest corporate investors in South Africa. Mercedes said the vote was a vindication of its decision to stay in South Africa – where it employs nearly 5,000 people – despite strong protests.

Corporate America's initial reaction to the referendum result was muted. A handful of companies and banks surveyed said that while the referendum results were encouraging, it was too early to plunge back into major investment in South Africa.

Ms Jennifer Kibbe, an official at the Washington-based Investor Responsibility Research Centre, which tracks US investment in South Africa, said US companies regarded the referendum vote "as a necessary, but not a sufficient condition for them to go back in."

Citicorp, the biggest US bank, bank indicated that it would need to see what type of interim government came to power before it could consider changing its position.

Citicorp which closed its office in South Africa in 1987, does have a limited business in South African ADRs (American depository receipts), but it is unlikely to expand that business immediately. After sanctions were lifted Citicorp said it had no plans to resume lending and that position hasn't changed.

A spokesperson for the Ford motor company in Detroit said: "We withdrew from South Africa in 1988 on a voluntary basis and while the referendum news is definitely encouraging we will have to conduct a full review before changing our position."

On the international bond market yesterday, the result was widely seen as likely to bring forward the launch of further bond issues from the republic.

However, further political headway would have to be made before there could be more fund-raising, bankers said.

South Africa has launched three international bond issues since last summer, two in the name of the republic and one in the name of the Development Bank of South Africa. All have been sold mainly to German private investors, rather than institutions. Concern about political risk, and ethical or legal obstacles, still loom large.

The republic's Ecu250m (£178m) of bonds, launched in January, were trading yesterday at a yield of 10.63 per cent, 0.2 of a percentage point above offer price – a reflection that demand for the bonds, though reported to have picked up yesterday, has yet to affect the price.

Foreign and financial staff

Conservatives seek political life beyond Treurnicht

SOUTH AFRICA'S ultra-right Conservative Party (CP) – the last and most fervent champion of apartheid – is in the market for a new policy, and a new leader.

Its dream of creating separate tribal homelands for each of the white and black tribes of South Africa – originally the platform of the National Party, but latterly the goal of the Conservatives – was firmly rejected in the referendum. The voters' verdict on Mr Andries Treurnicht, the CP leader, was equally harsh. He is unlikely to survive the humiliation.

The whites-only poll was the Conservatives' last chance to win power through the ballot box; a "no" vote would have forced the ruling National Party to resign, leaving the CP with certain victory in the ensuing general election. Now there will never be a CP government – unless the military should decide to install one, a most unlikely prospect.

The CP can still claim to represent more than 1m voters – fully 30 per cent of the white electorate – but it cannot force through its lunatic plans for social engineering.

Even before the referendum defeat, the party had begun to jettison some of its policies in a move to occupy the centre-right of white politics. An influential group of younger, more moderate CP members of parliament – led by the witty and articulate Mr Koos van der Merwe, and the brothers Pieter and Corne' Mulder, members of a famous South African political family – sought to hijack party policy from older reactionaries who clung to old-style apartheid. They defended the campaign for a separate Afrikaner state by arguing that this was no more odious than the demand for an independent Croatia, merely a reflection of the ethnic nationalism sweeping Europe.

They forced the ultra-conservative leadership of the party to reverse its decision to boycott the poll, arguing that the CP could not refuse to fight with honour. Then they unilaterally announced policy changes which caught senior leaders off guard. Mr van der Merwe said the CP would not reinstate apartheid. However, this was largely sleight of hand: apartheid laws would not be needed in the white homeland which Mr van der Merwe proposed, because blacks would not be citizens of such a state. They could be kept out by visa restrictions, rather than the hated pass laws.

The maverick MPs also said the CP was willing to negotiate political reform with blacks. Official party policy has been to boycott the Convention for a Democratic South Africa (Codesa), the multi-racial forum which is negotiating a new constitution. Party officials now say they are ready to talk – though not in Codesa, where voting rules favour the National Party and the African National Congress (ANC).

But most importantly, the CP compromised on its central demand that whites should occupy 87 per cent of South Africa as their own homeland, with millions of blacks crowded on to tribal states on the remaining 13 per cent. That was the original plan of apartheid: a constellation of black states federated to a large white nation. The concept of a loose confederation will remain, even after yesterday's defeat; but it seems likely that the CP will dramatically scale down its demand for land.

Eventually, the more moderate party faction would probably settle for strong regional government in areas such as the Western Cape where there are large numbers of whites, rather than a fully-fledged geographic homeland.

The CP is likely to end up placing more moderate demands on the table at Codesa. But it is too early to say whether the party will split over the issue.

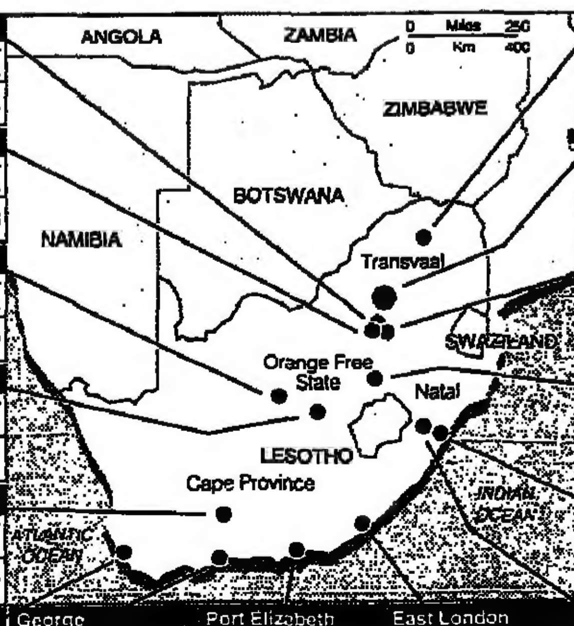
Mr Treurnicht is almost certain to step down, but the battle has yet to begin between Mssrs Mulder and the more conservative Mr Andries Beyers. Once the choice is made, the defeated candidate could lead an exodus of loyal MPs out of the party. That could leave an ultra-radical core of right-wingers in the Conservative party, with a "new right" faction sitting at the table in Codesa.

Conceding defeat in the referendum, Mr Treurnicht warned that the white "struggle for freedom and survival" had entered a new phase. It was "continuing in even greater earnestness than before". The new phase would not include armed action, but he added: "We say to de Klerk, don't force us under a Marxist government."

It is clear the wishes of 1m white voters cannot simply be ignored. In fact, the right could prove more dangerous than ever. Many of the more fanatical Conservatives will feel the constitutional route to opposition has been blocked: the hard core now claims to have a moral justification for violence.

Their numbers would be few – witness the pitifully small demonstrations staged by the paramilitary Afrikaner Resistance Movement (AWB) during the campaign – but a few well-placed bombs could cause considerable havoc, and seriously damage the prospects for reform.

Patti Waldmeir



	% Yes	% No	Number of votes
Roodepoort	52.4	47.6	237,882
Johannesburg	78.3	21.7	414,643
Kimberley	54.5	45.5	61,286
Bloemfontein	58.6	41.4	99,083
Beaufort West	61.6	38.4	30,739
Cape Town	84.9	15.1	418,852
George	65.4	34.6	61,497
Port Elizabeth	74.5	25.5	117,125
East London	78.3	21.7	85,173
Pietersburg	43.0	57.0	87,432
Pretoria	57.4	42.6	501,545
Germiston	65.4	34.6	250,869
Kroonstad	51.5	48.5	105,810
Durban	85.0	15.0	240,346
Pietermaritzburg	76.0	24.0	87,523

Budget targets black issues

THE government yesterday presented a budget for "equity through growth and stability", with a commitment to higher spending to improve economic conditions for blacks.

Total expenditure for 1992-93 will rise by 16.5 per cent to R100.7bn (£20.1bn), a 2 per cent growth in real terms. Revenue is budgeted to increase by 15.8 per cent from the revised estimate for 1991-2 to R84.8bn.

Mr Barend du Plessis, the minister of finance, described the budget as "exceptionally difficult", in the light of the demands which had to be financed from stagnant revenues."

Considerable progress is made towards equalising pension payments, with the gap between different racial groups narrowing by 40 per cent. After the changes monthly pensions will be: Whites - R345; Coloureds and Indians- R318; Blacks - R293. The remaining discrepancies will be removed next year.

There were also large increases in expenditure on education, housing and health. Defence spending is cut by 9 per cent in real terms, but most of the monies released are taken up by a 22 per cent increase in the police vote.

The burden of financing the increased expenditure falls on the individual taxpayer, who will pay 26 per cent more in tax than in 1991-92, largely as a result of fiscal drag, whereby wage increases for inflation have pulled more earners into higher tax bands. There is some relief for middle and lower income taxpayers, who are taken into lower tax bands by a simplified income tax banding structure.

Individuals will pay 40.3 per cent of tax in 1992-93, compared to 33.1 per cent as recently as 1990-91 and 26.8 per cent in 1977-78. Customs and excise levies are to be increased, and the petrol price will rise by 8 cents a litre.

A negative trend is the large size of the deficit which is estimated at R15.9bn for 1992-93, or 4.5 per cent of GDP – the same size as the eventual deficit in 1991-92; R1.6bn of the deficit would be financed from sales of strategic stockpiles, mainly oil.

Finance department officials said the size of the deficit was a "temporary" but acceptable diversion from the IMF norm of a 3 per cent deficit.

Economists, however, have expressed concern at the implications of such a large deficit for the size of the government debt. Debt servicing will account for about 16 per cent of spending in the budget.

Phillip Gawith

Business greets spur to growth

BUSINESSMEN in South Africa reacted with jubilation to yesterday's referendum result which, they said, would help their continued re-integration into the world business community while improving domestic growth prospects.

The business community campaigned strongly in favour of a "yes" vote, with some companies going as far as to warn employees that the consequences of a "no" vote would be large-scale retrenchments.

The South African Chamber of Business said yesterday: "The decisive outcome of the referendum will undoubtedly have a positive effect on the medium- and long-term performance of the economy and should lead to any remaining trade and other sanctions being lifted soon."

Businessmen cautioned, however, that this was merely the beginning of a difficult road forward. Mr Tony Norton, president of the Johannesburg Stock Exchange (JSE), said the result "doesn't guarantee anything. It is merely a condition precedent for economic progress."

Financial markets moved sharply upwards in response to the result. The overall index on the Johannesburg stock exchange rose by 1.2 per cent, and the industrial index was 1.4 per cent higher.

The financial rand, the investment currency for foreigners, closed at R3.71 to the dollar, compared with Tuesday's close of R3.96. Movements of this currency are a barometer of foreign sentiment.

Mr Richard Jesse, analyst at stockbrokers Martin and Co, said markets had taken a simple view of the referendum. "No is bad and Yes is good and the bigger the Yes the bigger the good." The result had removed a major source of uncertainty.

Mr Brian Gilbertson, chairman of the mining house Gencor, said the result "was a great release of tension because it shows clearly that the initiatives of the state president have very great support."

He said the result meant a number of the company's projects, such as the Columbus stainless steel project and the expansion of the aluminium producer Alusaf, were now possible. They had been held up because of the lack of foreign investment and access to foreign markets.

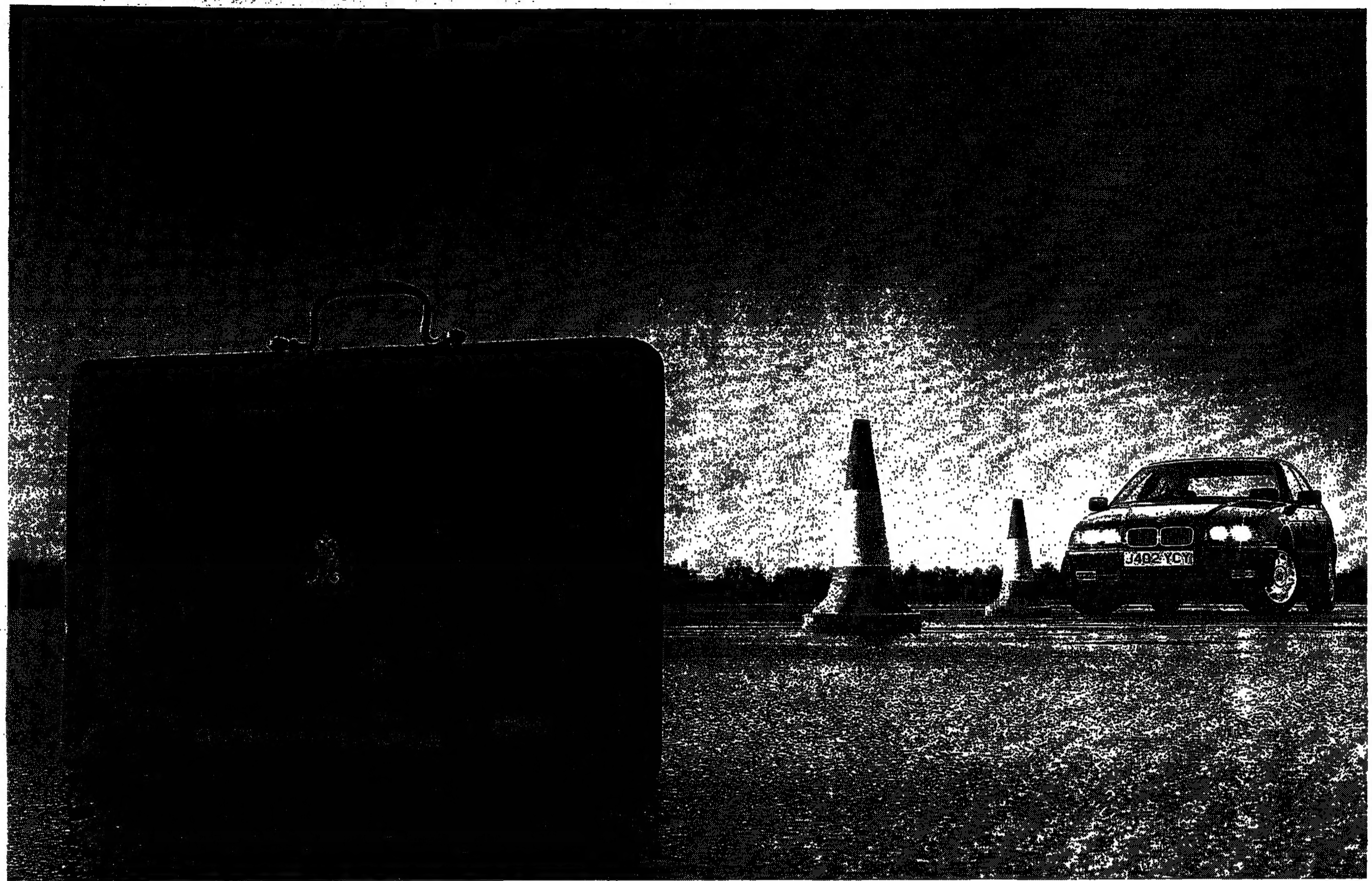
Mr Norton said the result showed people were not only ruled by their hearts; that in the quiet of the polling booth simple issues like jobs, the value of their houses and savings, counted more.

Mr Paul Kruger, managing director of Sasol, South Africa's largest fuel and chemicals company, said the result showed "a general realisation of the realities in South Africa. The [white] electorate has now been satisfied that the state president is not willing to give everything away, that he has certain economic bottom lines."

He added "It also dispels the myth that the process is not irreversible. There is no reason why any country in the world should continue with sanctions."

Mr Norton said he felt a key issue emerging from the referendum was the strong and competent leadership shown by Mr de Klerk. He thought this, and the size of the "yes" vote, would impress foreigners. There was no doubt the result would boost the country's trade prospects, and prospects for foreign investment were also enhanced, he said. "Today was one step closer to when the notebooks become cheque-books."

Philip Gawith



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Little wonder then that the Chancellor's despatch box presents no great obstacle.

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(Mr, Mrs, Miss etc.) Initial Surname

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Year of reg. Age if under 18

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AMERICAN NEWS

Jerry Brown takes up protest vote baton

It looks as if 1992's baton of political protest is changing hands. As, bit by bit, Mr Patrick Buchanan's Republican challenge to President George Bush fades, so that of Mr Jerry Brown to the Democratic frontrunner, Mr Bill Clinton, gathers steam.

Election night in Illinois and Michigan saw Mr Brown, the former governor of *California*, promising "to win the soul" of the Democratic Party back from the "decrepit" and "corrupt power elite". His mission, he declared, was Jeffersonian, to ensure that a privileged few did not grow fat off the labours of the many.

This is pretty much what Mr Buchanan has been saying all year on his conservative crusade – which now seems on the wane, albeit with lots of brave talk of the great battle to come in 1996. The question is whether Mr Brown on more or less the left will have any more luck than Mr Buchanan did on the right.

There is a lot of truth to Mr Clinton's charge in their stormy debate confrontation last Sunday night that Mr Brown "reinvents himself every year or two". It certainly is the case that in 1976, when governor of California, he donned the clothes of the establishment to try and stop another southerner, Jimmy Carter, winning the nomination: precisely the reverse of his position today.

There is also a tendency to remember Mr Brown as "Governor Moonbeam", which roughly *translates as a soft-centred*, sometime visionary. This was reinforced in the 1980s by his sojourn with Mother Theresa in Calcutta and his study of Zen in Japan.

This year's reality is completely different. He has proved opportunistic, sensing a national alienation in need of a voice; he is totally unscrupulous, as the Sunday debate

Jurek Martin on new voice of national alienation

showed, willing to play fast and loose with the facts and wildly misquoting the Washington Post article on Hillary Clinton's Arkansas law firm in order to drag Mr Clinton down; and, not unlike Mr Buchanan, he sounds like a xenophobe.

Thus he constantly inveighs against the export of jobs to Mexico, to the point that his occasional qualifiers that he has nothing against Mexico *per se* get lost in the wash. He would leave only 1,000 US troops in Europe, cynically adding that a like number of European troops should be stationed in the US as "exchange students". Any attempt to discuss aid to the former Soviet Union is instantly reduced by Mr Brown into the greater need to create jobs at home.

His family is intensely political: his father preceded Ronald Reagan as governor of California and his sister, Kathleen, is currently state treasurer. *His political genes have clearly* taught him to do whatever is necessary to win.

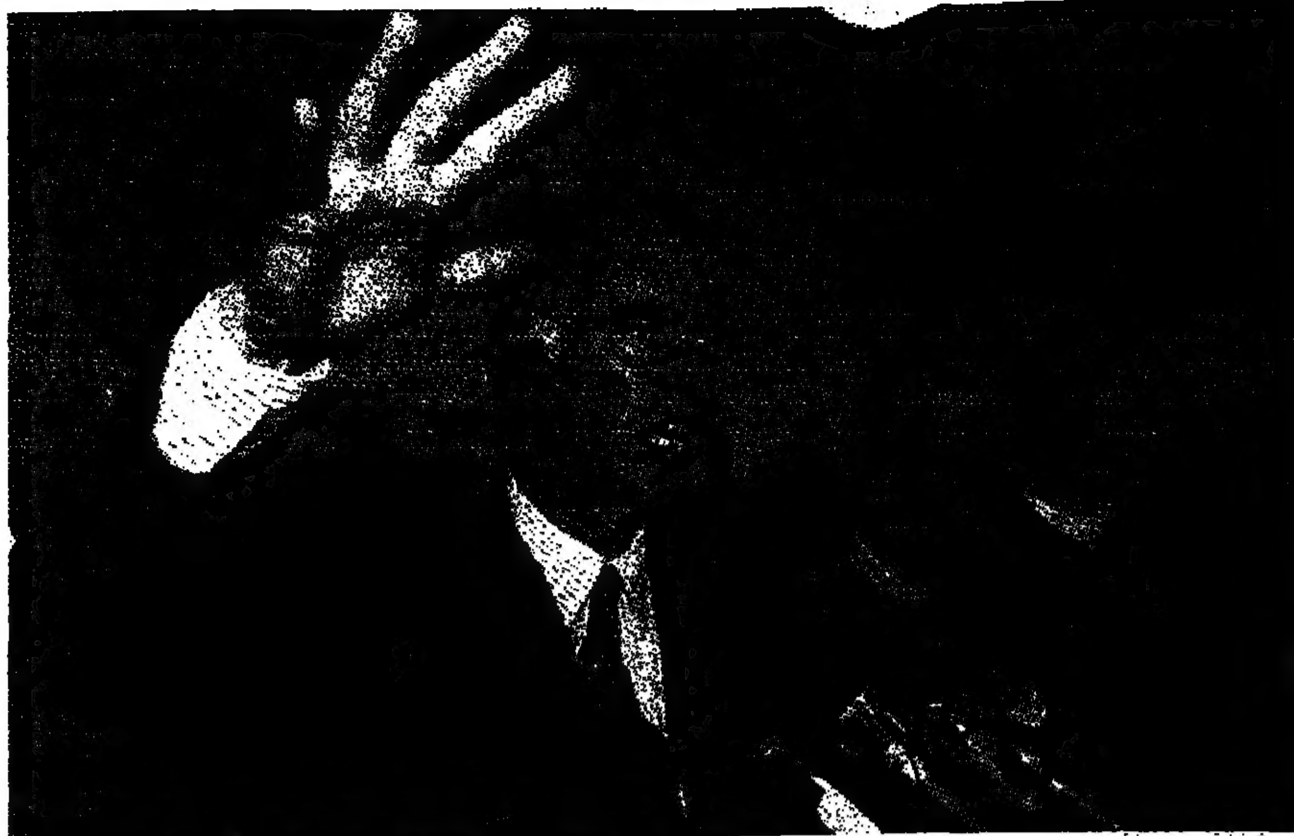
His grab-bag of policy positions, often little more than slogans, strike a certain chord in an uncertain country, and did so with a vengeance in Michigan on Tuesday. Flat rates of tax, environmental activism, enterprise zones, public works on a grand scale, disengagement from most things foreign, have the beauty of simplicity.

As the opponents of Mr Clinton have fallen by the wayside, and with Mr Paul Tsongas now barely competitive, Mr Brown has forced himself into the Democratic Party's considerations. Party leaders want him to go away, just as the Republican hierarchy has been urging Mr Buchanan to give up, because they know he is also not electable in November. They certainly do not want him to be the beneficiary of any subsequent scandal that really engulfs Mr Clinton. This is why Mr Tsongas, *faute de mieux*, will be privately urged to stay in the race.

But his messianic perversity could see Mr Brown taking his insurgent troops with him on a third party candidacy in the election proper, as John Anderson did in 1980; or, almost as bad, that he will not be reconciled with the nominee, particularly if it is Mr Clinton, and keep them at home. He lifted few fingers for Jimmy Carter in 1976 and California, of which he was then Democratic governor, voted Republican.

Yet the hard facts of primary politics, which Mr Brown sometimes does acknowledge, could also leave him with only *the same alienated share of his* party that Mr Buchanan commands among Republicans. He could do well in Connecticut next Tuesday and in New York two weeks later, while Wisconsin, which also votes on April 7, has been notoriously fickle in the past. But the increasingly impressive Clinton machine will now take some stopping.

If it is derailed, it will be because of another "character" controversy. Mr Tsongas, a *decent man, will not have the* taste to exploit it ruthlessly, but Mr Brown would.



NEW election, new man: Democratic candidate Brown addresses a Madison rally in his latest political guise

Michigan and Illinois primary results

	Jerry Brown	Bill Clinton	Paul Tsongas	Pat Buchanan	George Bush
Illinois	15%	51%	26%	22%	76%
Michigan	26%	51%	17%	25%	67%
Delegates won Tuesday	48	181	66	0	147
Delegates won to date	129	947	430	46	707
Total Democratic delegates	4,288		Total Republican delegates	2,209	

Incumbent Democrats face an uphill struggle

By Jurek Martin in Washington

INCUMBENCY may be losing its electoral advantage this year, on the evidence of Tuesday's Democratic primary elections in Illinois.

Mr Alan Dixon, the two term senator and quintessential Washington insider, was upset by Ms Carol Mosely Braun, the Cook County recorder of deeds. If she wins in November, she would be the first black woman ever elected to the Senate.

Congressman Dan Rostenkowski, chairman of the House Ways and Means Committee, survived a primary challenge, but was held to under 60 per cent of the vote for the first time in a generation.

Two prominent black congressmen from Chicago, Mr Gus Savage and Mr Charles Hayes, were also thrown out.

Mr Savage has long been *notorious for playing the racial* card most aggressively and, true to form, he blamed his defeat on "the white racist press and the racist reactionary Jewish misleaders." Mr Hayes has emerged as one of the biggest abusers of the House bank overdraft facility, bouncing over 700 cheques.

But the message of their defeats was complicated by districts which had been redrawn and by the fact that both lost to well known local black politicians.

Mr Mel Reynolds, a former Rhodes Scholar who beat Mr Savage easily, may have profited from being shot at last Thursday night. Mr Bobby Rush, a former black panther and Mr Hayes's conqueror, was already a city alderman.

At a national level, the most interesting message from the Dixon defeat in a three way race was the extent to which white suburban women joined with blacks in preferring Ms *Braun because of Mr Dixon's* vote to confirm Judge Clarence Thomas to the Supreme Court last year after the allegations that he had sexually harassed Ms Anita Hill, the university law professor

BCCI investigator calls on Bush to sack campaign deputy manager

A SENIOR member of Congress investigating the Bank of Credit and Commerce International (BCCI) affair yesterday called on President George Bush to sack Mr James Lake, the deputy manager of the Bush re-election campaign, *Alan* Friedman reports from New York.

Mr Lake also serves as US public relations adviser to the Abu Dhabi Investment Authority, one of the key investment vehicles used by Sheikh Zayed Sultan Nahyan to hold majority control of BCCI.

Senator John Kerry, the Massachusetts Democrat who has led the US Congress's investigation of the BCCI affair, said: "I have to question the propriety of the President of the United States' campaign being managed by someone who is simultaneously being paid over $200,000 every three months to represent BCCI's biggest shareholder."

Mr Kerry, who held a BCCI hearing yesterday, said he did not know what services Mr Lake was providing to Abu Dhabi, but he said there was "an appearance of impropriety here" and called on Mr Bush to ask Mr Lake to resign his position in the Bush campaign immediately.

As a precedent, the Senator cited the example of Mr Ed Rogers, the former deputy to Mr John Sununu, former White House chief of staff. President Bush moved to distance himself from Mr Rogers last October when it emerged that the former Sununu aide had accepted a $600,000 contract to represent Sheikh Kemal Adham, the former head of Saudi intelligence and a key figure in the BCCI affair.

"To be blunt, Mr Lake should not be sitting in on White House campaign strategy meetings while he is also providing strategy to Sheikh Zayed on how to deal with problems arising out of his ownership of BCCI."

Senator Kerry said his committee had not drawn any conclusions about Sheikh Zayed's role in the BCCI affair.

Mr Mark Helmke, a deputy to Mr Lake, confirmed that the public relations firm of Robinson, Lake, Lehrer and Montgomery is a registered foreign agent for the Abu Dhabi Investment Authority and has advised Abu Dhabi on how to deal with the US media on BCCI-related issues.

Mr Helmke said that Mr Lake's Abu Dhabi connection was reviewed by Mr Boyden Gray, the White House counsel, and was considered to be irrelevant before Mr Lake was named to the Bush campaign two months ago.

Mrs Linda Robinson, the president of Robinson, Lake who is married to Mr Jim Robinson, chairman of American Express, said through a spokesperson that the Abu Dhabi relationship was handled through the firm's Washington office.

TAXES, INVESTMENTS, PENSIONS AND PROPERTY VALUES - WILL YOU WIN IF LABOUR DOES?

In Finance and The Family our specialist writers give their FT comment on Labour's impact on your personal finances.

IN THIS SATURDAY'S

Weekend FT

Making Movies -

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The FT proposes to publish this survey on

May 15 1992.

The survey will be seen in 160 countries worldwide and will be of special interest to 51,000 readers in the UK who are decision makers on postal despatch and freight services. If you want to reach this important audience, call

Bill Castle on 071 873 3760 or Fax 071 873 3062.

Data source: BMRC Businessman survey 1990

FT SURVEYS

LEGAL NOTICES

Notice of Creditors meeting

AMSTRAL (UK) LIMITED

IN RECEIVERSHIP

AMTECH (UK) LIMITED

IN RECEIVERSHIP

NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above companies will be held at The Friendly Hotel, Monks Way, Two Mile Ash, Milton Keynes on 2 April 1992 at 10.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said act and, if thought fit, appointing a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the meeting must lodge a written statement of their claims with us at Cork Gully, 43 Temple Row, Birmingham, B2 5JT no later than 12 noon on 1 April 1992. Forms of proxy, if intended to be used, must also be lodged with us by that time. (Faxed copies are not acceptable.)

DATED this 13 March 1992

Ian N Carruthers and David R wilton,

Joint Administrative Receivers

ENSIGN TRUST PLC

Notice is hereby given that in the petition presented by Ensign Trust PLC to the Court of Session to pronounce an order sanctioning a Scheme of Arrangement and for confirmation of reduction of capital, an order of the Court, dated 10th March 1992, sanctioning the Scheme of Arrangement and confirming the reduction of capital together with a certified copy of the Scheme of Arrangement and a copy of Minute in connection with the reduction of capital as approved by the Court, were registered by the Registrar of Companies on 10th march 1992. Bird Semple Fyfe Ireland, WS, Solicitors, 30 Queensferry Road, Edinburgh, EH4 2HG.

SOLICITORS FOR ENSIGN TRUST PLC

Notice of appointment of joint administrative receivers.

GS SOFT DRINKS LIMITED

Registered number: 01423525. *Nature of business:* Manufacturers of soft drinks. Trade classification: 04. Date of appointment of joint administrative receivers: 27 February 1992. Name of person appointing the joint administrative receivers: Midland Bank plc

JOHN FREDERICK POWELL and DAVID ROBERT WILTON, Joint Administrative Receivers. (Office holders nos 2695 and 5708). Cork Gully, 43 Temple Row, Birmingham, B2 5JT

Notice of appointment of joint administrative receivers.

HENRY GARDNER (WEST BROMWICH) LIMITED

Registered number: 589539. Nature of business. Manufacturers of soft drinks. Trade classification: 04. Date of appointment of joint administrative receivers, 27 February 1992. Name of person appointing the joint administrative receivers, Midland Bank plc.

JOHN FREDERICK POWELL and DAVID ROBERT WILTON, Joint Administrative Receivers (Office holders nos 2695 and 5708). Cork Gully, 43 Temple Row, Birmingham B2 5JT

COMPANY NOTICES

BAYER AKTIENGESELLSCHAFT

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 29th April, 1992 in Cologne. Payment of a Dividend of 26% for the year 1991 will be proposed.

Copies of the Company's Annual Report for 1991 in English will be available from:-

Hambros Bank Limited,
Hill Samuel Bank Limited,
Kleinwort Benson Limited,
S.G. Warburg & Co. Ltd.

United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 21st April, 1992, inform S.G. Warburg & Co. Ltd., Paying Agency, 2 Finsbury Avenue, London EC2M 2PA who will make the necessary arrangements on their behalf

Under Section 125 of the German Companies Act, the Board of Management is only obliged to provide information on proposals and nominations that may be made by shareholders if the parties concerned prove their standing as shareholders in good time.

BAYER AKTIENGESELLSCHAFT

19th March, 1992

ART GALLERIES

E. BAWDEN, D. JONES, J. NASH, S. PALMER, G SUTHERLAND. 'Dreamers of Landscape' until 7th April at BOHUN Gallery, 15 Reading Rd, Henley, Oxon Tel: 0491 576228.

MARLBOROUGH 6 ALBEMARLE Street, London W1 -ANDRZEJ JACKOWSKI Paintings 1982 to 1992. 20 March - 25 April 1992. Mon-Fri 10-5.30 Sat 10-12.30. Tel: 071 629 5161.

CORPORATE GOVERNANCE

The FT proposes to publish this highly topical survey on

June 3 1992.

The governance of publicly-owned companies has become a major business issue in recent years. This survey will be seen by 54% of Chief Executives in Europe's top companies. If you wish to reach this important audience, call Sara Mason on 071 873 3349 or fax 071 873 3064 for advertising details.

Data source: Chief Executives in Europe 1990.

FT SURVEYS

Islamic Jihad says it bombed Israeli embassy

By John Barham in Buenos Aires, Lara Marlowe in Beirut and Hugh Carnegy in Jerusalem

ISLAMIC JIHAD, an underground Shia Moslem Lebanese group close to Iran, yesterday claimed responsibility for bombing the Israeli embassy in Buenos Aires as rescue workers continued to comb the wreckage for up to 100 people who may still be trapped in the rubble.

The group said in Beirut that Tuesday's attack was carried out by a suicide bomber, named Abu Yasser, an Argentine convert to Islam, in reprisal for the Israeli assassination last month of Sheikh Abbas Musawi, the Hizbollah leader.

Islamic Jihad is an off-shoot of the Lebanese Hizbollah, loyal to Iranian hardliner Hojatolislam Ali Akbar Mohtashemi.

The claim, resonant with terms used over the past nine years in other Islamic Jihad claims of responsibility for bombings and kidnappings, demonstrated for the first time the ability of the fundamentalist cell to strike far outside the Middle East.

Mr Jose Luis Manzano, Argentina's interior minister, blamed the attack on "extremists from abroad who received logistical support" from local groups.

Argentina has Latin America's biggest Jewish community, numbering about 300,000-400,000, as well as a large Arab community, whose most prominent member is President Carlos Menem, the son of Syrian immigrants.

Argentine officials confirmed that a car bomb loaded with 100kg of explosives was used to virtually demolish the embassy.

Rescue workers continued hunting through the rubble in search of survivors even though officials admitted they have given up hope of digging anyone out alive.

The bodies of three embassy staff have been recovered, bringing the unofficial death toll to 11.

Estimates of the number of people inside the building at the time of the explosion vary from 40 to 100. The number injured has risen to over 250.

The attack is likely to prompt swift Israeli retaliation against targets in Lebanon.

Even before the Islamic Jihad claim, senior Israeli officials said they would inflict "painful punishment" on those who carried out the attack and those who sent them.

Officials said the bombing would not cause Israel to withdraw from the Middle East peace talks.

Mr David Levy, the foreign minister, said a "Damascus-Tehran axis" supported acts like the embassy bombing and the killing earlier this month in a car bomb explosion in Ankara of an Israeli embassy security officer.

In Damascus, President Hafez al-Assad denied Syria had been involved in either this bombing or any such acts and said he did not know who was responsible for the explosion.

A Jewish man is escorted to safety after the embassy blast

Beige Book survey reports little upward pressure on prices

Fed banks see improved economy

MOST Federal Reserve system banks see an improving US economy with little upward pressure on prices, according to the Fed's latest survey of economic conditions, known as the Beige Book, Reuter reports from Washington.

"Most Federal Reserve districts report some improvement in economic conditions," said the report, prepared by the Federal Reserve Bank of Minneapolis. More house building and rising new car and other retail sales were most often mentioned.

"Business sentiment is described as modestly more optimistic in many parts of the country, though it remains cautious," the survey said.

"There are few indications of significant upward pressure on retail and wholesale prices of goods," the Fed report said.

The Fed reports are issued at roughly six-week intervals. The latest one sets the most optimistic tone since last summer about the economy's prospects.

It says manufacturing remains flat with many districts reporting layoffs and rising unemployment. "Yet several districts report glimmerings of recovery in manufacturing, with improving expectations for future activity."

Bank loan demand "is best described as flat", though home mortgage lending was often mentioned as a bright spot. "Mortgage refinancing activity appears to be tapering off somewhat."

Wage and price pressures "appear generally quite moderate," the report said, though some mentioned lumber prices were rising because of more building and restricted supplies.

Consumers were becoming more active. "Most Federal Reserve districts report some improvement in retail sales so far and guarded optimism on the part of merchandisers."

New car sales were reported to be rising modestly in Boston, Philadelphia, Cleveland, Atlanta, Chicago, Minneapolis, Kansas City and San Francisco. The only district where car sales were falling was Dallas, the Fed said.

But prospects for manufacturing industries remain mixed, with New York, Minneapolis and San Francisco Fed banks reporting continuing layoffs and rising unemployment rates. Although, in Philadelphia, Dallas and Richmond, Virginia, there were modest rises in shipments or production rates.

Richmond and Kansas City said inventories were still falling, but Cleveland said liquidation may have ended.

Bush poised to act over car pollution

By George Graham in Washington

THE Bush administration was poised yesterday to announce new environmental regulations that would cut fuel efficiency standards for cars that use alternative fuels.

Also the administration planned to announce a scheme for companies to receive pollution credits if they buy and scrap old cars with lower fuel efficiency and higher emissions than today's vehicles.

The new measures are part of President Bush's 90-day review of federal regulations, aimed at cutting back the burden imposed by bureaucratic rules on the economy.

Although they were presented as anti-pollution measures, the proposals were criticised as ineffective ways of tackling pollution or excessive energy consumption.

The administration was expected to reduce the current average fuel efficiency requirement of 27.5 miles per US gallon imposed on car fleets for those cars which use reformulated petrol or alternative fuels. The US is already moving towards requiring all cars to use reformulated petrol, which reduces hydrocarbon emissions.

Car emission specialists said allowing lower fuel efficiency would waste 150,000 barrels of oil a day and would increase carbon dioxide emissions, thought to contribute to global warming.

The pollution credit proposal is also expected to have little overall environmental effect. Any reduction in emissions from old "gas-guzzler" cars would be offset by increased emissions from the industrial polluters that chose to use the new mechanism.

It would, however, provide a bonus for the fragile US car industry.

Egypt and Syria oppose renewed war

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt and Mr Hafez al Assad, his Syrian counterpart, yesterday said they opposed renewed military action against Iraq, in an apparent signal to the US and its allies to cool talk of such a step.

Mr Assad, who has long been at loggerheads with the Iraqi regime, told a news conference after several rounds of talks with his Egyptian counterpart: "We are not prepared to support military action against Iraq." Mr Mubarak echoed his words, saying: "Supporting the use of force, we are against it."

Syria and Egypt both sent ground forces to join the coalition which ousted Iraq from Kuwait, but are now cautioning restraint because of fears that renewed conflict might fuel instability in the region.

The five permanent members of the Security Council have become increasingly frustrated over Iraq's tardiness in complying with Gulf war ceasefire terms which require the destruction of its nuclear, chemical and ballistic missile facilities. The US and Britain have revived talk of military action in order to exert additional pressure on Baghdad.

Mr Assad said, meanwhile, that Syria would continue to participate in Middle East peace talks with Israel, but he doubted Israel's sincerity.

Damascus has been threatening to withdraw over what it claims is Israeli intransigence. But Mr Assad's statement yesterday was a clear signal that Syria wanted to avoid any blame for possible failure.

Peru cuts interest rates to curb sol

By Sally Bowen in Lima

THE PERUVIAN government and five leading banks have finally reached agreement on a cut in interest rates as part of a strategy to depress the overvalued local currency.

For the past three months the sol has continued to strengthen against the dollar, to the detriment of exporters and local manufacturers who are increasingly unable to compete with cheap imports.

Interest rates will fall by an average of around 3 per cent, discouraging capital from abroad, which has been flooding into Peru at over $100m a month.

The participating banks – comprising about two-thirds of Peru's banking system – will now charge 18 per cent annually to customers borrowing in dollars and 7 per cent a month for local currency.

The new rates "are not obligatory", explained Mr Carlos Bolona, economy and finance minister, "but other banks are invited to co-operate".

The government has taken steps to reduce banking costs by temporarily suspending a 0.4 per cent tax on all cheques written. Liquidity with the system should also improve with the elimination of the local currency reserve requirement.

The central bank appears to be planning to play a bigger role in exchange rate regulation. Its president, Mr Jorge Chavez, announced that daily dollar purchases would be increased to a maximum of $3.5m a day.

Camdessus pleads for US to pass increase

By George Graham in Washington

MR Michel Camdessus, managing director of the International Monetary Fund (IMF), yesterday delivered an urgent plea to the US Congress for it to vote through America's share of his organisation's proposed $60bn (£34bn) capital increase.

Calling the 50 per cent increase in the IMF's capital "absolutely critical," Mr Camdessus begged Washington not to delay voting on its $12bn share.

Mr Camdessus warned that without new resources, he might have to halt new IMF commitments late this year or early in 1993.

"I know some people have suggested this is not urgent, that the IMF quota increase can safely be postponed. Please believe me this is not so: we need the additional funds this year," he told the US Chamber of Commerce yesterday. But chances of winning early congressional approval for the increase appeared dimmer than ever yesterday.

Advocates of the capital increase had hoped to attach the measure to a foreign aid bill before the end of this month, but the breakdown of negotiations on Israel's request for $10bn of US loan guarantees now appears to have killed any prospect of this bill emerging.

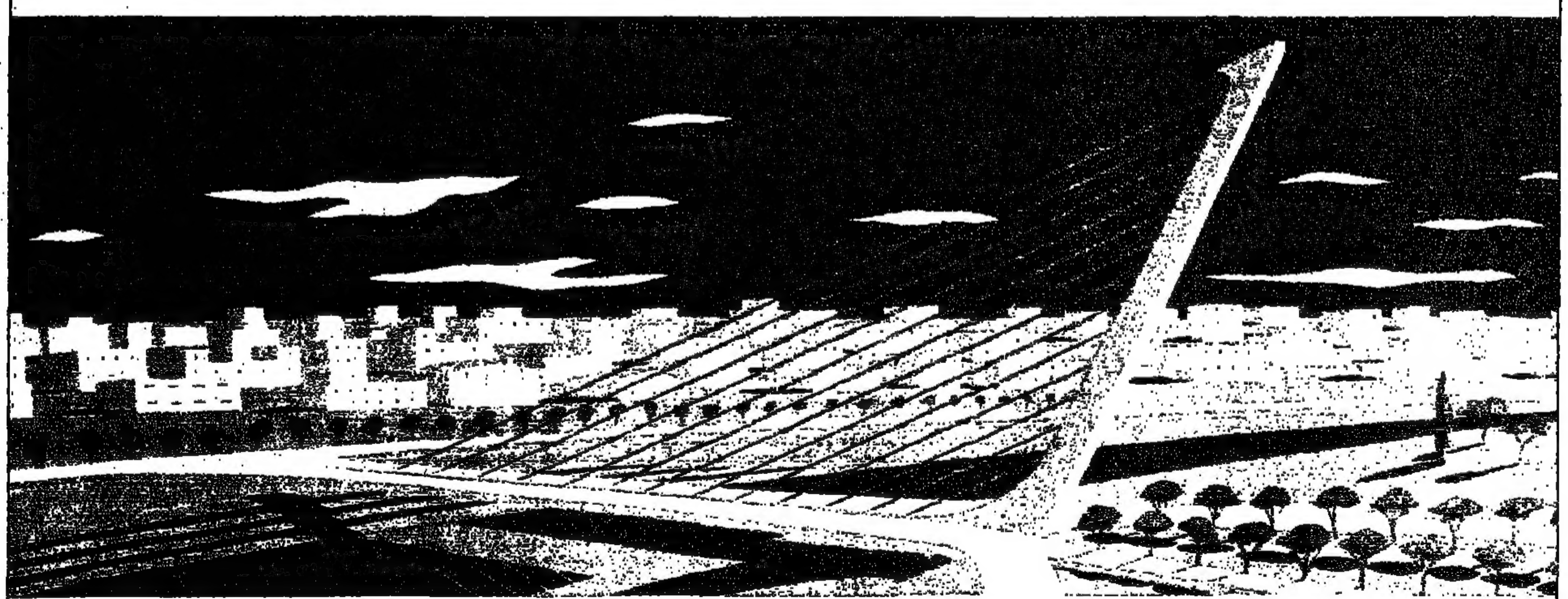
Without US agreement, the entire IMF capital increase would be halted, because the organisation's rules require approval from countries representing 85 per cent of its votes. The US's 19 per cent voting share is enough to block the measure.

The need for new capital is especially great because of the call on IMF resources from the countries of eastern Europe and the republics of the former Soviet Union.

The IMF chief hopes their membership applications will have been processed by the summer.

But Democrats in Congress are wary of voting for the IMF funding, which proved political suicide in 1983. They want the Republican administration to make a more public commitment to the measure to avert the possibility that their opponents might use it against them in this autumn's congressional elections.

The Spanish have an inclination towards British Steel.



BRITAIN AT EXPO'92

There are more angles to British Steel than you might think.

For example, we supplied all the steel for the deck and the leaning tower of the spectacular Puente del Alamillo at Expo'92. It's the first suspension bridge of its kind in the world and at five hundred and twenty feet high it dominates the whole Expo site.

We also made a major contribution to the new high-speed rail link that cuts travelling time between Madrid and Seville from six hours to a miserly two and a half.

But perhaps you'll find British Steel in its most exciting guise in our country's showcase to the world: the British Pavilion at Expo'92.

With a frontage of glass and flowing water, the structure's key feature is its delicacy of design. British Steel was the clear choice to provide the framework of the building: every aspect of it emphasises steel's strength and flexibility.

Small wonder the Spanish aren't the only nation leaning towards us.

British Steel: British mettle

UK NEWS

ELECTION 1992: The manifestos

Classic Conservatism in post-Thatcher era

By Philip Stephens, Political Editor

IT IS not Thatcherism. Nor is there a distinctive enough political philosophy in the Conservative manifesto to warrant the label Majorism. So Mr John Major chose yesterday to call it classic Conservatism.

A senior Cabinet colleague described it as a prospectus for the post-socialist era; a few seconds later he offered the afterthought that it was also one for a post-Thatcherite world.

Over the coming days and weeks there will be many other labels applied to the manifesto for the first election campaign since 1979 that the Conservatives have fought without Mrs Margaret Thatcher. Some in the party will describe it as One-Nation. Some will insist that Mr Major has been true to the principles of his predecessor. Others will see in the document the outlines of the Conservatives' version of European Christian Democracy. They will all be right.

After just 16 months in Downing Street Mr Major neither wanted to, nor could have, abandoned the core of his party's agenda for the previous 11 years. He wanted to signal that there was substance behind the change in the government's style and rhetoric since November 1990. The result, in the words of one Cabinet minister, is a manifesto which represents "much more a shift of 45 degrees than a U-turn".

The first objective of the 29,000-word document (6,000 words longer than in 1987) is straightforward. The Conservatives want to demonstrate that 13 years in power has not left them bereft of imagination or energy: that a new prime minister has brought with him new and exciting ideas.

For all their public scorn at Labour's recycling of the "time for a change" theme, senior ministers believe the popular perception that they held power for too long rivals the economic recession as the greatest threat on April 9.

The second aim is to persuade the electorate that the central economic truths of the 1980s have been obscured rather than discredited by the recession. That low taxes, low inflation, deregulation and enterprise, and curbs on trades union power remain the precondition for prosperity.

So there is much of which Mrs Thatcher would approve. The manifesto acknowledges the impracticalities of a big-bang sale of British Rail's passenger services but the plans to lease services on a regional basis is a statement of future intent. British Coal is to be sold and "contracterisation" to the private sector of local authority and Whitehall services is to be accelerated.

The goal of stable prices is firmly restated. Those close to Mr Major say that he will be more serious about achieving it than his predecessor.

Ownership will be just as central to the Conservative agenda for the 1990s as it was in the 1980s. The manifesto promises further tax incentives to encourage savings and another drive to increase home-ownership through rents-into-mortgages schemes.

Tax cuts are there. Mr Major will not give a date for the achievement of 20p basic rate of tax. Nor will there be moves to drive down spending and borrowing: the document talks of a return "towards" rather than "to" budget balance. But the commitment to leaving people with more of their incomes remains central.

In some areas, the approach is evolutionary. For much of the 1980s the attitude was that public services should either be privatised or left alone. The substantive proposals in the Citizen's Charter (as opposed to the name-badge gimmicks) are an attempt to break down the dividing line – to inject private-sector skills into the areas where the state will maintain overall responsibility.

Health and education will remain part of a welfare state but the disciplines of the market are to be harnessed in a drive for efficiency.

A sheaf of proposals on housing, ranging from rents-into-mortgage to the break up of local authority estates, represent a similar shift towards diversity: to offer more than a simple choice between ownership and a council tenancy.

If part of Mr Major's pitch is that he is incorporating the successes of the past, there are signposts to a different future. On one level they are a matter of tone. The sheer detail in the document reveals a prime minister who prefers the nuts-and-bolts of practical policy to the grand philosophical sweep of his predecessor.

There is an entirely different flavour in the approach to Whitehall. Mrs Thatcher avoided departmental upheavals. It is hard to imagine her sanctioning commitments to a style of more open government or the creation of a Millenium Fund devoted to preserving the country's heritage.

In other areas the change of tone becomes one of substance. Mr Michael Heseltine's interventionism is stamped on the plans to regenerate the inner cities and the acknewledgement that policy for London must be centrally co-ordinated. Mr Major's own instincts are reflected in the commitment to child benefit. There is an attentiveness to the underclass of the 1980s not seen before.

Some of these shifts are hidden between the lines. But the message to the voters is there: if they want change they do not have to vote Labour. Mr Major is offering it.

Tony Andrews

Eyes right: Norman Tebbit with Norma Major (centre) and Vanessa Ford, her personal press officer, at the launch of the Conservative manifesto

Quotes of the day

It's all me - every last word of it is me!
John Major, replying to questions about how much of his own imprint, rather than Mrs Thatcher's, was in the manifesto

I wouldn't swap places with you. I have got a bit of an exam on April 9
Neil Kinnock to children he met on the way home from their school in north London

These are two no-hope manifestos
Paddy Ashdown

We are ready for talks at any time. The British government has talked to republicans in the past
Gerry Adams, president of Sinn Fein

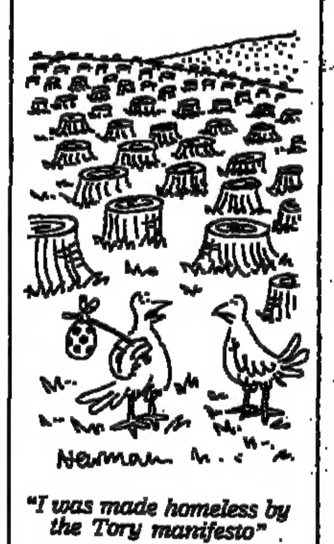
He's trying to rope every fringe candidate into his own party, by calling it an alliance
Stuart Hughes, leader of the Raving Loony Green Giant Party who yesterday disassociated himself from Lord Sutch's Official Monster Raving Loony Alliance Party

If there's anyone really paying the price for a recession built on flummery and candyfloss, it is here
Paddy Ashdown on a visit to a training centre in Brentwood, Essex

My cabinet is the youngest this century. We will brighten the lives of everyone
John Major

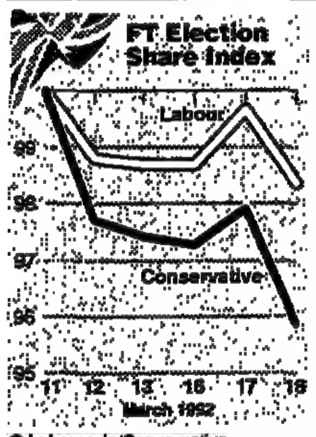
Labour's tax plans could spell defeat in the battle to maintain lower inflation
Roger Young, director-general of the British Institute of Management

There is no reason why Eton or Harrow, or any other private school, should be entitled to the same tax advantages as Oxfam
Paddy Ashdown on why private schools should not be given charitable status for taxation purposes



"I was made homeless by the Tory manifesto"

FT Election Share Index



● Labour win/Conservative defeat stocks.................98.34 –1.37
● Conservative win/ Labour defeat stocks.......95.89 –2.01
● FTSE.........................97.78 –1.06

The gap between stocks that might gain from a Labour victory and those that might gain from a Conservative win widened further yesterday. Companies that stand to lose from Labour's policies – for example the water utilities – weakened noticeably after the Labour manifesto was published. They show up in the "Conservative gainers" portion of the index, which dropped by over 2 per cent, twice as much as the FT-SE index. Conservative gainers are now four per cent below closing prices on the day the election was announced.

Good managers join the long march

By Ivo Dawnay, Political Correspondent

A DETAILED route map for the long march out of recession is its intention. But the real electoral message of Labour's manifesto is in the mood music.

The 28-page document adds little or nothing new to the three past policy documents that have tracked the party's journey from electoral defeat in 1987.

Its title – It's Time to get Britain Working Again – is a fair reflection of the tone: pragmatic, patriotic, upbeat and perhaps a little plodding. High socialist dudgeon had been replaced by high reasonableness.

"We are the good managers now," is the theme.

When challenged after the manifesto launch as to why there was nothing new in the paper, Mr Neil Kinnock revealingly pointed to the £2.7bn in fresh resources allocated to economic recovery, the national health service and education under Labour's shadow Budget published two days earlier. That mercenary viewpoint is reflected in the document.

In his foreword, Mr Kinnock sums up Labour's aims as "down to earth" if coloured by values that insist that "to have real meaning" individual liberty must include community provision.

And so the manifesto proper begins, its first six pages dedicated to the £1.1bn recovery package and the economy. In cautious and prudent language, it spells out that "as with any properly run business" the immediate programme must be part of a long-term strategy.

The section goes on to outline enhanced capital allowances for industry, an investment tax incentive for small businesses, the phased release of receipts from council house sales for new building and a skills and jobs programme.

It repeats Monday's pledge of £1bn for the NHS and £600m for education over the coming 22 months.

Under the title, Building a Strong Economy, Labour promises to be "a government which business can do business with". On inflation, an earlier plan to put restraints on bank lending is reduced to a vague pledge to "manage credit sensibly". A firm commitment is made to maintain the value of the pound within the exchange rate mechanism. Tackling inflation will be left to promoting investment and improving skills.

Labour repeats its readiness to raise child benefit for all children to £9.95 a week and pension increases of £5 a week for a single person and £8 for a married couple.

On managing the economy, it offers an autumn State of The Nation report, followed by a period of evaluation by employers, unions and government which, it says, will have "an important influence" on collective bargaining.

Labour will halt the "deterioration" in public sector pay, but warns that this will be constrained within clearly defined limits. Investment will be lifted with a 25 per cent tax credit for investment in research and development for hi-tech industries. On training, it says there will be a real partnership between government and industry "not an excuse to shift all the burden on to employers".

While a fair framework of union law will be created, strike ballots and union elections will stay, mass pickets will remain banned and there will be no return to the laws of the 1970s.

On the health services and education, Labour repeats its intentions to reverse the opt-outs from the NHS and to put back schools under local authority control. Similarly, a lengthy chapter on social security, housing, local government, crime and the environment rehearses longstanding positions. On housing, there is an unexplained pledge to end gazumping and a commitment to let council tenants take up a "part rent, part buy" option.

A fair rates system to replace the poll tax is signalled.

Transport policy is flagged with a promise to review the roads programme. Deregulation and privatisation of buses will be halted. Labour will reform car tax to favour smaller, cleaner cars.

At the back of the book, Labour deals with the constitution. Interestingly, though the long-promised Scottish parliament, elected by the additional member system of proportional representation is promised immediately, there is no timescale put on the controversial issue of when English regional bodies might be set up.

"We will consult widely before finalising these proposals," the document says.

On the still more controversial issue of electoral reform for Westminster, Labour promises only that its working party on electoral reform will be expanded. In answers to journalists questions, Mr Kinnock said that its findings may be discussed by another body.

Equally, on the promised reform of the House of Lords, the manifesto is equivocal about timing, though it gives a firm commitment to introduce fixed-term parliaments.

Under foreign affairs, it pledges not to increase the number of nuclear warheads above those deployed now. For the European Community, and the single currency, Labour pledges only "to play an active part in negotiations on economic and monetary union".

All in all, the manifesto offers few hostages to fortune.

Estimates of costs still hazy

WHILE the Tories and Labour may be trying to appeal to business, neither has shown much business acumen in the production of its manifesto, Andrew Jack writes. Labour's document, of which 150,000 copies have been printed, is the cheapest to obtain. It costs £1.

But it did not know the printing costs, or how many it needed to sell to break even.

The Conservatives sell The Best Future for Britain – of which there are also 150,000 copies – for £1.95, and were equally unsure yesterday about production costs.

Changing Britain for Good, the Liberal Democrats' offering at £1.50, has reached 100,000 copies so far. "It sells at a price equivalent to a glossy up-market magazine," said one official, who estimates that it will break even on sales of 70,000.

But who will buy them? One of the largest customers is the Civil Service. The Department of Trade and Industry said that it had bought 464 copies of each document for its staff.

HOW THE POLICIES FOR BUSINESS COMPARE

	CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
■ Taxation	Three bands: 20% for first £2,000 of taxable income, 25% to £27,000 gross earnings and 40% thereafter. 20% band to be gradually widened.	Abolish 2% NI contribution on earnings under £54 a week. Ceiling on NI contributions lifted. Three bands of income tax: 25% and 40% unchanged with 50% applying above £40,000.	1p on basic rate of income tax. Ceiling lifted on NI contributions. NI combined with income tax to make 35% rate for earnings under £33,000. A new 42% band to £50,000, 50% thereafter.
■ Investment	**Private sector driven. Policies maintained.**	**National Investment Bank to bring public and private sector together to invest in long-term infrastructure projects. 40% capital allowance for 1 year.**	**Corporation tax reformed to encourage industrial investment. Bank of England made independent.**
■ Business rates	To rise in line with inflation. Relief for businesses relocating.	To become a local tax.	To be frozen.
■ Small business	**Some relief on inheritance tax. New bodies set up to give specialist help. Commercial lease reform studied. Loan guarantees to favour inner cities.**	**Fund for new investments. Network of one-stop advice centres. Rate rebates for small business.**	**Interest to be paid on overdue debt. Reorganise chambers of commerce and local enterprise agencies.**
■ Industrial relations	Most part timers to get terms and conditions of work. Written consent required for deduction of union dues. Seven days notice for strikes. Adopt EC rules on maternity including 14 weeks minimum leave. Women to take at least 25% of public posts by 1996. Grants to help child care.	Statutory minimum wage of £3.40 an hour. Employees to be consulted over decisions which affect them. Right to union membership. Stronger laws against sex and race discrimination, extended to help older and disabled people. Flexible decade of retirement between 60 and 70. Equal rights for part timers.	Encourage decentralised wage bargaining. Tax-free child care vouchers for employees. Strengthen sex discrimination laws. Flexible decade of retirement between 60 and 70.
■ Training and Education	**Stronger links between DTI and Training and Enterprise Councils (TECs). Annual publication of schools' performances. Advanced Diploma for post-16 vocational courses. FE and 6th form colleges leave local council control**	**Training levy on most businesses that do not train their own staff. Sixteen-year olds to have option of 4 years training. Training for those jobless for six months. TECs reformed. Max class size of 30. Five subjects at A-level.**	**2% payroll levy on companies which do not invest in training. Two-days a week training for under 19s in work. Grant maintained schools/city technology colleges to local authority control. Reorganise TECs. Max class size of 30.**
■ Environment	New Environmental Agency to combine National Rivers Authority with Pollution Inspectorate. Press for EC to adopt UK pollution control rules.	CO2 emission at 1990 levels by 2000. Business encouraged to have environmental audits. Trade in toxic waste banned. Cabinet Minister for Environmental Protection plus several executive agencies	CO2 emissions cut 30% by 2005. New department of Natural Resources and independent Environmental Protection Agency. CFCs banned by 1994 Emissions licences issued to limit pollution
■ Europe	**Move sterling to narrow band of ERM. UK parliament to decide on EMU and single currency. Continue to resist changes to Treaty of Rome that would damage British industry. Resist pressure to extend EC competence.**	**Move sterling to narrow band of ERM. maintaining its value. Adopt Social Chapter of European Treaty.**	**Move sterling to narrow band of ERM. Accept Maastricht timetable for EMU without "opt out" clause. In favour of European Central Bank and single Euro-currency. Adopt European Convention on Human Rights. Move to political union.**
■ Competition policy	Push for open European markets in life insuarance, air travel, road transport energy. British Coal and rail services such as freight and some stations to privatised. British Gas retail monopoly to be reduced. Local councils to be encouraged to sell airports.	Not discussed in manifesto, but policy is to use "public interest criteria for mergers and acquisitions".	To break up "private monopolies" like BT and British Gas and introduce new Restrictive Practices Act. OFT to be merged with MMC and made independent. Companies to ballot shareholders over planned bids. More competition in banking
■ Company regulation	**Product regulation to be eased. Some regulations within homes to be made advisory rather than mandatory.**	**Half of pension trustees to be employees Pensioners to be represented.**	**Part of competition policy.**
■ Technology	Establish centres of technological excellence. Encourage transfer of people and technology from universities to businesses.	Data Protection Act to be strengthened "in line with Europe". 25% tax credit for spending on R&D Technology Trusts to link academia and industry.	Establish regional technology transfer centres. Government science budget to rise to 0.35% of GDP.

Economic differences centre on tax policies

By Peter Norman, Economics Correspondent

BRITAIN'S three main parties are heading for the election with similar macro-economic and monetary policies but differ fundamentally over how to share the nation's wealth and foster its creation.

The Conservatives, Labour and Liberal Democrats accept a large public sector borrowing requirement in 1992-93 and the monetary discipline of the Bundesbank through the EMS exchange rate mechanism.

However, their manifestos highlight very different priorities on taxation policy and the role of the state in encouraging investment and growth.

Both Labour and the Liberal Democrats promise immediate action to combat the recession. Labour believes "Britain faces a huge task of national reconstruction" and makes investment, jobs and training priority areas in its "National Recovery Programme". The Liberal Democrats want a "new impetus" and emergency investment "to end the slump" and cut unemployment by 600,000 in two years.

The Conservatives, by contrast, argue that the foundations of recovery have been laid. "What is needed to trigger confidence and growth is a Conservative victory with a decisive majority."

All three manifestos are carefully designed not to frighten voters. But deep underlying differences in philosophy are apparent between the Conservatives on the one hand and the Labour and, to a lesser extent, the Liberal Democrats on the other.

Taxation is one obvious area. The Conservatives promise to continue cutting personal taxes, reduce the threat of inheritance tax for home owners and also "lighten the burden of capital taxes and reform the taxation of savings". Labour is for "fair taxes", which as this week's shadow Budget showed, means lower taxes for about 80 per cent of taxpayers and a sharply rising tax burden for those earning more than £22,000 a year.

The Liberal Democrats would reverse the government's plans for a 20p tax band and add 1p to the basic income tax rate to finance education spending. Looking further ahead, their manifesto aims to shift "the burden of taxation from the things the country needs more of – income, savings and value added – and on to the things we want less of, such as pollution and resource depletion."

What differentiates the parties is their attitude to market forces. The Conservatives work from the presumption that market mechanisms and incentives should be allowed whenever possible to do their job. The Liberal Democrats "know that the free market is the best guarantee of responsiveness to choice and change", but add that "the market should be our servant, not our master". Labour says: "Modern government has a strategic role, not to replace the market but to ensure that the market works properly."

Labour reserves the right to interfere in broad sectors of the economy in pursuit of this. It plans, for example, to restore the National Grid to public control and secure the long-term future of the coal industry by reducing imports and other measures.

As part of its counter inflation policy, Labour would "manage credit sensibly" and "stop excessive price rises in water, electricity, telephones, transport and NHS prescriptions". To strengthen the regions, the party would "establish new regional development agencies in England, strengthen Scottish Enterprise and the Welsh Development Agency and modernise regional incentives".

By contrast, the Conservatives promise more privatisation, competition and deregulation. They place a heavy emphasis on private ownership. Council house tenants will continue to enjoy "right to buy" discounts and a nationwide "rents to mortgages" scheme is planned. "Sustaining not just a home-owning but a capital-owning democracy is crucial to our vision for the 1990s", their manifesto says.

The Liberal Democrats plot a middle course, promising support for infrastructure investment, training and science and action to stimulate competition, break up monopolies, promote consumer rights and encourage decentralised wage bargaining. The Liberal Democrats are also unique in promising to make the Bank of England operationally independent and planning a "savings target" for the nation.

ELECTION 1992: The manifestos

Joe Rogaly

More of the same or take Kinnock on trust

If the Conservatives lose the election, it will be because of the recession. The manifesto held aloft by Mr John Major yesterday is nothing to do with the case. If Labour wins, it will be because of the recession – and the anodyne manifesto published by Labour yesterday.

Take the Conservative manifesto first. Some floating voters may back the friendly team that got us into the fine mess we're in right now, but if they do it will be for fear of Labour, and therefore in spite of the slump. It will not be because of any radical or exciting new construct from the Tories, not even the firm promise to introduce a hedgerow incentive scheme, "to help preserve hedgerows of particular historic, landscape or wildlife importance". I have to tell you, Mr Major, that this will not help *my* hedgerow, which is *merely of domestic importance.*

"What you see is what you get," said the prime minister yesterday. He was waving a copy of the Conservative manifesto. "It's all me," he added proudly. It is. The cover is an enormous blue print of the smiling face of Mr John Major. Put him back in No 10 Downing Street and you will get an intensification of the experience of the past 16 months - collegiate cabinets, broad grin, Citizen's Charter, and all.

Others will vote for change. That means rule by the ex-socialist old lags who promise *that* they *really* are reformed this time, honest guv. Such voters are gamblers. They will have to take the Labour programme on trust. The entire Labour campaign is designed to convince waverers that there is nothing to fear from the new model Labour party. If this can be achieved, all the Opposition has to do is wait for the government to defeat itself. Not even Mr Neil Kinnock could have dreamed that the Conservatives would be so diligent in their efforts to auto-destruct.

There is, of course a third choice. Monday's Liberal Democrat manifesto does not offer an alternative government, but it does suggest a means of expressing a wish for a more effective political mechanism, such as a coalition. Alas, after the election, the Liberal Democrats will be lucky to command a couple of *dozen seats. These could, in certain* favourable circumstances, enable Mr Paddy Ashdown to lobby Labour in favour of constitutional reform. But however often you toss a coin, it falls heads or tails more often than it stands on edge. For the moment I say no more of the Lib Dems, whose manifesto is graced by a larger-than-life photograph of Mr Ashdown.

The Conservative manifesto would sound more radical were it not written under the cold eye of the Treasury. Mr Major has injected a sense of respect for the public services into *the mix left behind by Mrs Margaret* Thatcher, but he has done so from within the corridors of Whitehall. He has not been mean, but then, unlike Labour, he has no compelling urge to redistribute incomes and/or wealth from rich to poor. He reiterates past undertakings to increase child benefit in line with inflation, raise pensions for the worst-off recipients, and establish a 20 per cent tax band. That is not the end of his "caring" paragraphs. The Tories' national health service reforms are superior to anything Labour has to offer. *They constitute an attempt* to bring managerial discipline into a nearly unmanageable undertaking. Labour wants to save that promising scene for the health unions.

The tone of Mr Major's manifesto is generally defensive, but then the Conservatives have much to be defensive about. *In spite of that*, the document contains numerous small but useful ideas, many of which are to be commended. The prime minister's penchant for traditional teaching methods more than compensates for the few lunacies (such as a privatised inspectorate) in his plans for schools. The "millenium fund", financed from a state lottery, is well designed to catch headlines. The proposed changes in the machinery of government are of intense interest to civil servants.

Let me pause here. The phrase *"civil servants" defines the problem.* Most of these New Conservative proposals bear the mark of close official scrutiny, earnest debate, submission, withdrawal, drafting and redrafting of papers and eventual compromise. This is a manifesto made by ministers who have forgotten the fear of losing office.

Unlike Labour, Mr Major has no compelling urge to redistribute income

That is why I believe that the Tories delude themselves when they say that the effect of their policies will be, in *Mr Major's* words, to put "you, and not the government . . . in charge of your life". The health and education reforms require greater control at the centre, in compensation for the further emasculation of local responsibilities. All the new (or recycled old) initiatives, not least the Citizen's Charter, add as much to ministerial power and patronage as they subtract elsewhere. The proposal to govern London with a cabinet sub-committee is not worthy of discussion. As Labour's Mr Gordon Brown *remarked at a recent meeting of* Charter 88, the constitutional reform pressure group, "what the Conservatives offer is 88 charters".

So does Labour, but Mr Kinnock at least throws in a (truncated) programme of constitutional reform, including a Scottish assembly. His party's manifesto, which to his credit has the flags of the four nations of Britain on its cover, is evidence that Labour's fiscal intent is redistributive, while its administrative purpose remains regulatory. It would return the monopoly power *over state schools to* local authorities. It would destroy the NHS reforms. Competitive tendering would become a last resort.

One of the sub-titles in Mr Kinnock's document is "a government which business can do business with". It is more likely to be a government which business *has* to do business with. It will have to pay the minimum wage, accept new employee rights, fork out for training, and answer daily letters from a herd of quangos. Labour has a better appreciation than do the Tories of the deficiencies of our present governance, but it has not yet fully taken in the message from the east, that ministers really do not know best. None of this is the old socialism. It is the new statism. It is not public ownership, but public control – control, that is, by officials and minis*ters. Nationalisation is dead. Long* live regulation.

Supporters of Mr Kinnock may protest that this is to read more into the Labour manifesto than is really there. Certainly the drafting shows extreme care. Some of the language is positively Thatcherite. "The only way to defeat inflation . . . is to raise productivity . . ." The phrases are all either designed to soothe, or to advertise. There will be a new body called British Technology Enterprise, a National Health Initiative, a Health Quality Commission, *a Ministry for Women, an Edu*cation Standards Commission, a Food Standards Agency . . . the list exceeds the space available here.

Voters who take a chance on Labour have to believe that (a) all of this really is harmless tomfoolery while (b) Mr Kinnock and his colleagues will not, should they become ministers, revert to their aspirations of yesteryear. The difficulty is that the only way to find out for sure is to let them demonstrate their innocence while in office. The extent to which there is now a widespread willingness to take such a risk is evidence of just how fed up with the recession erstwhile Tory supporters have become.

Lib Dems look to stand out as a distinct option

By Ralph Atkins

MR PADDY ASHDOWN yesterday tried to clear a distinct pitch for his party by lambasting the Labour and Tory manifestos equally. Significantly, however, he gave a cautious welcome to Labour's stance on constitutional reform.

Mr Ashdown acknowledged that Labour's pledge to enhance its Plant committee's report on electoral reform was a positive step.

The Liberal Democrats would take part in a formal inquiry into alternative systems, he said, as long as legislation was guaranteed.

However, Labour's commitment to proportional representation in its manifesto was "gift-wrapped fudge".

Mr Ashdown continued to insist on PR as the prerequisite for his party's support in a hung parliament.

He refused to accept that could mean a pact only with Labour.

"As the Tory party faces the reality of defeat, they will be accommodating these sorts of ideas," he said. Labour was closer to accepting reality, he believed.

The Liberal Democrat party supports the single-transferable vote system of PR but Mr Ashdown hinted that he might accept the German additional-member system where proportionality is ensured by topping up the parliamentary strengths of parties from lists. It has ruled out the alternative-vote system.

The Liberal Democrats are trying to set themselves apart from Labour so that the party is not seen merely as a soft alternative to Labour. They realise that a strong Labour showing in opinion polls would send some wavering Tories back to the fold because of fears of a Labour government. That would harm Liberal Democrat chances in the party's target seats.

Mr Ashdown said Labour's manifesto was "particularly disappointing" because of its timidity. "If they were writing the New Testament, they would be saying the meek can inherit the earth as resources allow."

Speaking on a tour of Essex and the Midlands, he added that the Labour and Conservative manifestos were virtually interchangeable. Neither passed the "hope test" or was sufficiently tough on tackling the recession, education and the environment.

"Only the Liberal Democrats have published a manifesto of fresh ideas, with hope for the future," he said.

Firepower sought for future attacks

By Alison Smith

THE Conservatives' immediate attack on Labour's manifesto was in the form of a new poster, showing a red-covered document called "Labour manifesto" dropping on a doormat beneath the slogan "Oh no, it's a tax demand."

Unveiling the poster, which will be on display at 3,000 sites across the country, Mr Chris Patten, the Tory party chairman, called Labour's plans a "millstone manifesto".

"It charts the failures of the past, not the opportunities of the future . . . out of touch, out of date and out of order," he said.

For Labour, the main thrust of attack on the Tories' manifesto will be the idea of "same-again Conservatives" expressed by Mr Neil Kinnock, the Labour leader, and the claim that the document does not address the current economic difficulties.

"It is old, it is the rehashing of policies that have already failed," Mr Kinnock said, calling the manifesto "an excuse *for the past*".

"There are a few policies that have been lifted from Labour's proposals but there is nothing in there to get the economy going", Mr Kinnock added.

Each of the two main parties, however, will also use particular elements of its opponent's manifesto for ammunition in the days ahead.

Each party must have been slightly relieved that there were *few surprises in the other's plans, and is already say*ing that the other has produced no new ideas, and has failed to close off damaging lines of attack.

"Few foxes have been shot," was the comment from one Tory aide.

Two specific areas already highlighted for targetting by Tory officials, beyond the cost of Labour's programme, are the future of privatised industries and Labour's defence policy.

Even without the scope for confusion between "public control" and "public ownership" of the water industry and the national grid, the Conservatives will exploit the increased regulation planned.

They will claim that this could extend to other privatised utilities, hitting share prices.

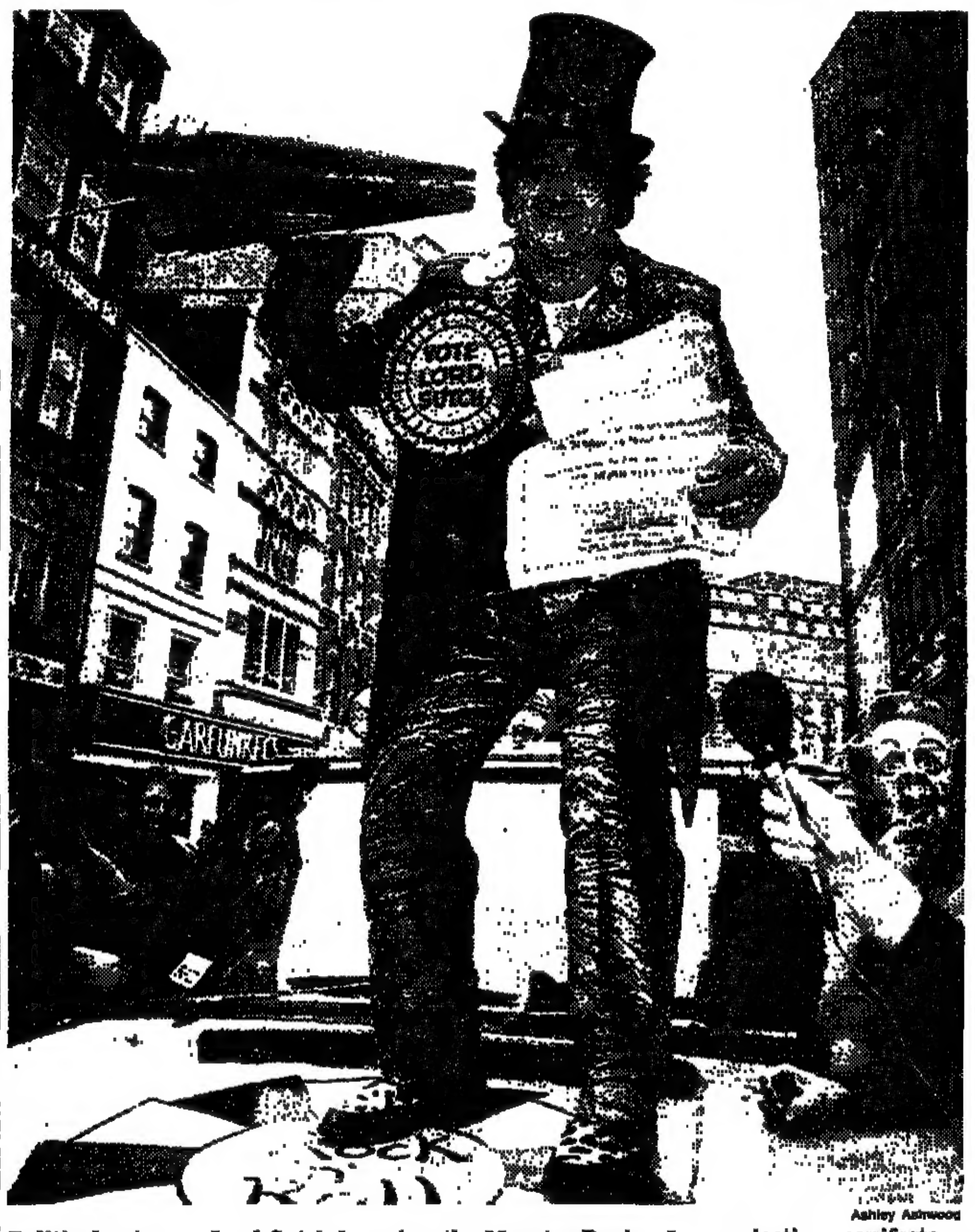
As for defence, the Tories are confident that the Labour manifesto's broad commitment to keeping nuclear weapons and providing "whatever resources are needed" for conventional defence will not last the campaign.

For its part, Labour will target the Tories' commitment to further privatisation in British Coal and in British Rail, and *the continuing commitment to* the national health service reforms.

Otherwise, it is the absences that will feature in Labour's attack.

Chief among these will be the failure to rule out a broadening of the base for value added tax – a claim that Labour has made consistently over recent months.

The party will also highlight the lack of a Conservative programme of constitutional reform, and of a policy for industry.



Ashley Ashwood

Political extreme: Lord Sutch launches the Monster Raving Loony election manifesto

Tories top the quango count

Even making allowances for *the way you count*, the Tories easily outstrip Labour in their list of proposed quangos published in the party manifestos yesterday.

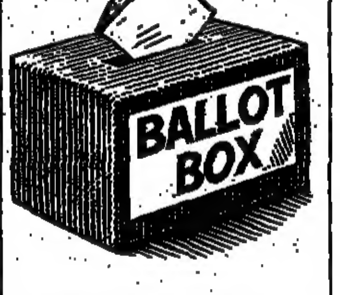
A quango is a quasi-autonomous non-governmental organisation. Mrs Margaret Thatcher didn't like them very much. John Major obviously does. For the new model Labour party they seem a natural way of avoiding overt interventionism while keeping some questions open. They were prominent *in much of* the party's pre-manifesto literature.

Still, the Tories have taken the lead. On a minimum count the Conservatives are offering 21 and Labour 14. The Tory count would go even higher if offshoots from the Citizen's Charter were included.

No less than 18 charters have been published since the original white paper a year ago. It is not quite clear, however, how far these should be counted as quangos, though plainly they will involve some measure of quasi-autonomous bureaucracy.

Among the genuinely new quangos, the Conservatives are offering a task force to counter school truancy, a new body called *Scottish National* Heritage to be supplemented by a new Scottish Environmental Protection Agency, and a Welsh Economic Council.

Labour's proposals include a Food Standards Agency, transport safety inspectorate, judicial appointments commission and children's commissioner. Whoever wins, there should be jobs all round for those who like to serve on committees.



Maude's fate

Spare a thought for Francis Maude, the Treasury minister. For a start, he is defending a majority of less than 3,000 over Labour in his Warwickshire North constituency, but the Tory manifesto contains what could well be another blow.

Frequently tipped as one of the MPs most likely to go to the cabinet if the Tories win, *Maude – as Citizen's Charter* minister – must be favourite for the new non-departmental cabinet post promised in the manifesto for the Citizen's Charter and Civil Service reform.

Whitehall does not usually make it easy for a small central unit to impose its will on large departments, and the post may well be a thankless *one: nothing* like being *chief* secretary at the Treasury or actually running a spending department.

False promise

The Labour manifesto states firmly: "We will end the scandal of poverty pay and bring Britain into line with the rest of Europe by introducing a statutory minimum wage."

Would that it were so simple! Most independent estimates suggest that a minimum wage of half male median earnings will cost at least 100,000 jobs. Young people and women in service industries will bear the brunt of the job losses.

As for bringing Britain into line with Europe, a glance at youth unemployment rates in those European countries with minimum wages is instructive. UK youth unemployment in 1988, the latest year of complete OECD figures, was 11.8 per cent compared to 21.7 per cent in France, 34.5 per cent in Italy and 40 per cent in Spain. Of course, the aim *may* be convergence.

Party discs

All national newspapers, including the FT, are now entirely electronic and all articles are thus written and edited on computer terminals – which ought to make it easy *to print* the party manifestos. Not so: it is the glossiness that causes the strain. The computers don't like it.

This year, unasked, one party supplied us with a floppy computer disc with the contents of its manifesto on it. Another gave us a similar disk, but charged £50. The third tried to help with the new technology, but failed to provide a disc until after the first edition had gone.

For the record, it was the Liberals who supplied the disc on time and for nothing. Labour was also efficient, but made the charge. It was the Tories who couldn't keep up, but at least they have not demanded a fee. Not perhaps the usual party images.

Off target

The Soho-based advertising agency, Reay Keating Hamer, has just published the results of telephone interviews last month with 100 "don't know" voters of all ages, both sexes and from the north and south. The main finding is that "the current advertising offerings from the political parties are missing the mark".

Only 18 per cent could spontaneously recall any political advertising. Only half of that group attributed their recall to the correct party, while the research discovered that "credibility comparisons showed that politicians are on a par with estate agents and tabloid journalists". Reay Keating Hamer currently does not handle any political advertising.

Revisionism

Labour party headquarters at London's Walworth Road is advertising a gala performance of the Kirov opera, ballet, orchestra and chorus at the Royal Opera House. The show will be attended by the Princess of Wales, the date is April 9 and the performance is called "Welcome Back St Petersburg", which may be an appropriate way for Labour to spend election night.

Raised eyebrows

There were raised eyebrows in Labour's Walworth Road headquarters.

Eagle-eyed researchers had spotted that a UBS Philips and Drew "shadow Budget special" tip sheet had named Tesco, Forte, British Steel and Royal Insurance as companies whose shares might benefit from a Labour victory. Their distinguished bosses, however, were among the 43 signatories of Tuesday's letter to The Times warning grimly against the red peril.

Although the letter concluded with a paragraph insisting it represented "personal views", perhaps shareholders should be told.

Labour focuses on Scottish parliament

THE setting up of a Scottish parliament within 22 months of the election of a Labour government is the centrepiece of the party's Scottish manifesto, launched by Mr Roy Hattersley, Labour's deputy leader, in Edinburgh yesterday, James Buxton writes.

Mr Donald Dewar, shadow Scottish secretary, said the Scottish parliament would be able to legislate for local government, health, housing, transport and the environment, and would have powers over industrial development.

It would also have the power to "adjust basic rates of income tax". Labour has said in the past that the discretion would be limited to 3p up or down.

The manifesto confirmed that the Scottish parliament would be elected by the additional-member system of proportional representation. Labour officials say they envisage an assembly of little more than 100 members, with one member for each of the existing 72 Scottish constituencies topped up by members elected from party lists.

Local government would be reduced to a single tier, with the number of local authorities left up to the parliament.

Scottish Enterprise and Highlands and Islands Enterprise, the development bodies, would set up their own investment banking divisions, working with Labour's National Investment Bank. A new body named Scottish Exports International would promote Scottish products abroad.

Parties back relocation plan

RELOCATION of a civil service unit from London to Aberdeen, leading to the creation of a European oil industry centre, will be promised in today's Scottish Conservative manifesto, Mr Ian Lang, the Scottish secretary said yesterday.

The plan involves about 80 civil servants from the Department of Energy's Exploration and Development Appraisal Unit, which negotiates and approves oilfield developments. It is calculated that this could save the government £7m.

Mr Neil Kinnock has said relocation would be a certainty under Labour. The Scottish National Party and Liberal Democrats also back the idea.

Pledges of aid for Wales are issued

NEW POWERS for the Welsh Development Agency to work with banks and financial institutions, a new Welsh exports service and an emergency economic programme including public works were promised by Mr Gordon Brown, the shadow trade and industry secretary, in Cardiff yesterday.

Mr David Hunt, the Welsh secretary, said the Tories would set up a Welsh Economic Council "as part of a national economic development drive for Wales".

Parties have all to play for

By David Butler

THE Conservatives, reflecting on the recent polls which put Labour 5 per cent ahead, may seek *comfort in three thoughts.*

● Easy come, easy go. If in two days the polls can move from a 1 per cent to a 5 per cent Labour lead, they can move back again.

● Never believe a trend until it's been confirmed for several days over several polls. And even then, keep in mind the volatility of the current British electorate.

● Remember 1959. In the Macmillan election the Conservative government started 7 per cent ahead, slumped in the first 10 days of the campaign to a mere 2 per cent lead, and then in the final haul pulled back to a 7 per cent lead.

In fact, with three weeks to go, Labour must be very pleased with the evidence of the polls.

Everyone has heard of the height of the mountain that Labour has to climb. The 8 per cent swing needed for a clear majority is almost twice as great as the movement in any post-war election.

For the Labour party to be ahead at all must seem like a miracle to those who were in Walworth Road in 1987. However, to be looking at a winning margin must seem incredible.

Historical precedents are dangerous. The rates of the game change. But for 40 years no government has materially improved its poll position during the campaign.

In 1951, the Labour government started the election *11* per cent behind in the Gallup poll and, although they lost the election in terms of seats, they emerged from the voting booths 1 per cent ahead. Such a movement could happen again.

There are three special reasons why the survey figures are unlikely to remain constant.

● The electorate's convictions seem especially shallow rooted. *Thirty years* ago more *than* 50 per cent of voters felt "very strongly" about their party preference; today only 20 per cent do. Party arguments and campaign events really can *switch votes.*

● The polls can change votes. The election may not offer much of an ideological choice but it remains a spectacular event. In a nip and tuck race, partisanship is excited.

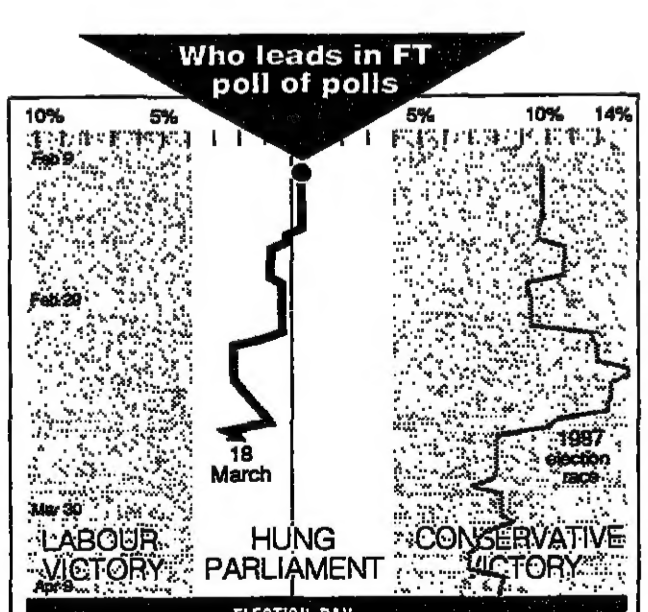
This is the first election in which the party lead has switched in the opinion polls during the campaign (leaving out one final poll in 1970). The public may be driven to focus its votes on the choice between the two leading contenders or, repelled by yah-boo politics and seeing a hung parliament as likely, they may give extra support to the centre party.

● Movements at the local, not national, level may affect party support. In 226 of the 376 seats won by the Conservatives in *the last election the Alliance* came second. But, as polls have shown, many electors are unaware that this applies to their constituency. For the next three weeks, and especially in Scotland, there will be massive efforts to educate the electorate in tactical voting.

The Liberal Democrats have acquired great expertise at turning around the old argument "a vote for the Liberals is a wasted vote". Now, in more than a third of constituencies, they can say "if you want the Tories out, vote for us". It may not win them many seats and it won't take any away from Labour. But it may cut into the Labour percentages in the opinion polls.

It remains all to play for.

The author is a fellow of Nuffield College, Oxford.



Last night's FT forecast		Latest opinion poll	Betting odds	Futures trading
Conservative	[illegible] seats	[illegible]	[illegible]	[illegible]
Labour	307 seats	38.5%	Evens	304
Liberal/Dem	[illegible] seats	[illegible]	[illegible]	[illegible]
		(Gallup / Telegraph)	Ladbrokes	Dealing on the
		Field date	(for most	number of seats
		17,18 March	seats)	(IG Index mid-prices)

* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last two campaigns. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

ELECTION 1992: The Conservative manifesto

Personal choice a priority

The Conservatives pledge to move towards an income tax rate of 20p, *continue the* privatisation programme and maintain an independent line on monetary union. They intend to use British presidency of the EC to increase competition. The keynotes are responsibility and choice. Manifesto highlights are:

Tony Andrews

Team focus: prime minister John Major, flanked by his cabinet, set his sights on a return to Downing Street as the Tory manifesto 'The best future for Britain' was published

Foreign Affairs

We will support an enhanced role for the UN in peace-keeping and combating state-sponsored terrorism.

We are determined that Iraq should comply with the terms of the gulf War cease-fire *agreement, and in particular* that it should co-operate with the UN in dismantling its weapons of mass destruction.

□ We support early Russian membership of the IMF and World Bank, as well as a stabilisation fund for the rouble.

□ We are co-operating with our *partners to provide urgent help* to the former Soviet Union and Eastern Europe to upgrade the safety of their nuclear power stations.

□ We strongly support the peace process in the Middle East.

□ We will use overseas aid to *promote good government, sen*sible economic policies, the rooting out of corruption, and crucially - respect for human rights and the rule of law.

□ We willpromote the development of multi-party systems through the new Westminster Foundation for Democracy.

□ *We will promote the English* language by strengthening both the British Council and the BBC World Service.

Security and defence

□ We will complete the deployment of the next genera*tion of Britain's minimum* nuclear deterrent. We will order and complete the fourth Trident submarine.

their own.

□ The Reserves will play an even more important role and we will introduce legislation to allow their more flexible use.

European Community

□ We will continue to resist changes to the Treaty of Rome that would damage British business.

□ We will *resist Commission* initiatives which run counter to the principle that issues should be dealt with on a national basis wherever possible.

□ We will work for a successful outcome to the Gatt negotiations.

□ We will redouble our efforts to reform the Common Agricultural Policy.

□ We will insist on more effective control over Community spending and will resist pressure to extend Community competence to new areas.

Our priorities for the Presidency will be:

□ To start negotiations with those Efta countries who want to join the Community so that they can join by 1995

□ To build on the EC's Association Agreements with Czechoslovakia, Hungary and Poland so that we can welcome them to full membership by the year 2000.

□ To conclude EC trade and co-operation agreements with the main republics of the former Soviet Union.

□ To complete the single market and extend it to the seven countries of Efta.

□ We will provide guidance and help to any British company encountering a trade barrier illegal under European law.

□ We will press for progress on the environment, including the Fifth Environment Action Programme.

Inflation and sterling

In the 1990s, the government's task will be to provide an economic environment which encourages enterprise - the *mainspring* of *prosperity*. Our aims must be:

□ *To achieve price stability.*

□ To keep firm control over public spending.

□ To continue to reduce taxes as fast as we prudently can.

□ To make sure the market mechanisms and incentives are allowed to do their job.

□In due course, we will move *to the narrow bands of the* ERM.

□ We will play our full part in the design and discussion of monetary institutions for Europe.

□ When or if other members of the EC move to a monetary union with a single currency, *we will take our own unfet*tered decision on whether to join. That decision will be taken by the UK parliament.

Route to lower taxes

□ We announced in the Budget an important first step *towards a basic income Tax* rate of 20p. By applying a 20p rate to the first £2,000 of taxable income, we have cut taxes for all 25 million taxpayers, and taken the 4m on lowest incomes out of 25p tax altogether.

□ We will make further prog*ress towards a basic Income* Tax rate of 20p.

□ We will see the budget return towards balance as the economy recovers.

Homes and Inheritance Tax

□ We will aim to bring home ownership, share ownership and personal pensions within the reach of more families.

□ We will continue to reform the taxation of savings, building on the success of Peps and Tessas.

□ *We will raise the tax thresh*old for Inheritance Tax so that the homes and savings of an increasing number of our citizens can pass unemcumbered from one generation to another.

□ We will encourage companies to make dealing in their *own shares easier, especially* for small shareholders, and encourage wider share ownership, through, for example, the establishment of 'Share Shops'.

□ We will abolish stamp duty on share transactions.

Business Taxation

□ We will continue to reduce tax burdens on business, as we have done this year for the motor industry, whenever it is possible to do so.

□ We will abolish unnecessary licences and reduce the need for specific approvals for product design.

□ We will back British companies encountering any discrimination, trade barriers or state subsidies that should no longer exist within the single market.

□ We will back the regulators of the financial services industry in their efforts to achieve high standards while keeping the rule books down to manageable size.

Privatisation

□ We will continue our privatisation programme. British Coal will be returned to the private sector. So will local authority bus companies. We will encourage local authorities to sell their airports. We will end British Rail's monopoly. We will sell certain rail services and franchise others.

□ The Ports Act 1991 has paved the way for the privatisation of the Trust Ports by competitive tender.

□ We are privatising Northern Ireland Electricity and will privatise the Northern Ireland water and sewage services.

□ We will bring private sector enterprise into the public services by encouraging contract*ing out and competitive tender*ing throughout government.

□ *We will maintain our pro*gramme of compulsory competitive tendering of local authority services.

□ We will ensure that competitive tendering is extended to white collar local authority services, such as those offered by lawyers, accountants, archi*tects and surveyors.*

□ We will introduce new legislation giving stronger powers to deal with cartels.

Energy

□ We will continue to encourage competition in *energy markets. We will pro*gressively reduce British Gas' monopoly of the retail gas market, to give small users the same rights as big firms.

□ We will privatise British Coal in a way that enables employees to enjoy a stake in the industry.

□ *We wil increase our sup*port for British Coal Enterprise which promotes economic regeneration in areas affected by the closure of mines, and has successfully assisted 76,000 people in finding new jobs.

□ We will review the future of the nuclear industry in 1994. *We are committed to safe and* economical nuclear power.

Regional Policies

We will ensure that regional policy is well targeted.

□We will continue to support all parts of the UK in their *campaigns to attract inward* investment.

□We will give additional emphasis to upgrading skills and technology when allocating funds.

Small businesses

□ *During the new Parlia*ment, we will develop a new Enterprise Service to give small and medium-sized companies help in diagnosing their most important strategic needs.

□ Tecs and Lecs will be closely involved in developing *and implementing this new ini*tiative.

Consumer affairs

□ We will introduce legislation designed to give consumers confidence that what they purchase is properly described - and that adequate *compensa*tion is offered where these requirements are not met.

□ We will enable the courts to override unfair terms in contracts and improve our powers to deal with rogue traders.

□ We will tighten up the rules on holiday brochures and contracts, and introduce a 'cooling-off' period into timeshare contracts.

□ We will introduce legislation to simplify trade mark registration and extend the rights they confer.

Citizen's Charter

●The Audit Commission will be able to publish league tables of performance including each local council and health authority so that people can compare the quality of service.

●We will ensure that inspection reports are published and widely available.

We will require British Rail to tighten its targets for reliability and punctuality on all lines, and report monthly to passengers on how it is doing. London Underground will publish its own Charter.

●We will expect Post Offices and Job Centres to set our standards of service and levels of achievement.

●A new Charter Mark award will give recognition to those parts of the public sevice that best meet Charter standards.

●We will act to ensure that *private firms bidding to* improve local authority public *services are not* obstructed by unscrupulous practices in councils or unfair contracts.

●We will encourage the wider use of performance pay inside the Civil Service and in other parts of the public service.

●We are ensuring that the regulators have the powers they need to promote competition and safeguard the interests of the customer by controlling price increases. We will increase competition in the gas and water markets.

The Post Office

●We are committed to maintaining a nation-wide letter service, within a uniform structure of prices, and with a nationwide network of post offices.

●We will lower the limit on the Post Office monopoly much *closer to the level of the first* class stamp.

●We will consider requests to license limited specialist services to compete with the Post Office monopoly.

Whitehall

●*We will give a Cabinet Minis*ter responsibility for the Citizen's Charter programme and reforming the Civil Service, taking charge of the Citizen's Charter Unit, Efficiency Unit, the programme for creating Agencies and the Public Competition and Purchasing Unit.

●*We intend to create a new* department, under a Cabinet Minister, with responsibility for broadcasting, arts, sport, tourism, the national heritage and the film industry.

●We will transfer the core responsiblities of the Department of Energy to the Department of *Trade and Industry* and responsibilities for energy efficiency to the Dept of the Environment, ending the need for a separate department.

●Small businesses are the seedcorn of our future prosperity. We believe the Department of Trade and Industry should *take over responsibility for* them. We also want to strengthen the links between the DTI and the highly successful Training and Enterprise Councils.

●Responsibility for overseeing all financial services will be brought together in the Trea*sury*, in line with the practice adopted in most other advanced countries.

●New programmes for regenerating our inner cities are outlined in this manifesto. Repsonsibilities will be brought together in the Department of the Environment.

●We are determined to ensure that women in the workforce realise their full potential. We will transfer from the Home Office to the Department of Employment the lead responsibility for coordinating government policy on issues of particular concern to women.

Open government

●We will review the 80 or so statutory restrictions which exist on the disclosure of information - retaining only those needed to protect privacy and essential confidentiality.

●We will seek to provide greater access to personal records held by government.

●We will be less secretive about the workings of government. For example, when the Committees of the Cabinet are reconstituted after the election we will, for the first time, set out their names and membership. We will update and - for the first time - publish the guidance for Ministers on procedure.

Education

□ We will complete the intro*duction of the National Curric*ulum offering 10 subjects at a *nationally-defined standard* - English, Mathematics, Science, History, Geography, Technology, Art, Music, PE and, in secondary schools, a foreign language.

□ Regular and straightforward tests will be in place for all 7,11 and 14 year-olds by 1994.

□ GCSE at age 16 will be integrated into the National Curriculum, with a new A+ grade to test the most able. The majority of marks will come from a written exam.

□ We will continue to encourage the creation of nursery places.

□ Full information will be published annually about the performance of all local schools in each area.

□ Popular schools which are over-subscribed will be given the resources to expand.

□ The Technology Schools Initiative will be expanded across the *country*.

□ Existing schools which opt for GM status will be able to emulate City Technology Colleges and attract private technology sponsorship.

□ We will maintain the Assisted Places scheme, which gives access to independent *education to many families* who could not otherwise afford it.

□ We will develop an Advanced Diploma which can be earned by students pursuing either academic or vocational courses, and a new General National Vocational *Qualification*.

Training

□ By the end of the new Parliament, the new system of National Vocational Qualifications should cover virtually every occupation in the econ*omy. The CBI's training tar*gets envisage 80% of young people reaching NVQ level 2 by the end of the Parliament.

□ We intend to make training credits available to all 16 year-olds and 17 year olds within the lifetime of the new Parliament. The TECs will continue *to be responsible for the YT* programme for this age group.

□We will continue to finance training programmes for the long-term unemployed and those who face particular difficulties.

□We will launch with the TECs a new initiative, giving people a voucher with which they can buy a 'skill check', providing assessment and guidance on how to make the most fo their working lives.

Workers and unions

□We will require employers to give everyone who works for them for more than eight hours a week a clear written statement of their terms and conditions of employment.

□ We will make automatic deduction of union membership dues without written authorisation unlawful.

□We will take measures to give individuals greater freedom in choosing a union.

□We will legislate to require that all prestrike ballots are postal and subject to independent scrutiny, and that at least seven days' notice of a strike is given after a ballot.

□People who use public services will have the right to restrain the disruption of those services by unlawful industrial action.

Police

□ We are continuing to increase police numbers. There will be 1,000 extra polic officers this year.

□ We will set up a working party to examine what more can be done to protect the police and members of other emergency services from assault.

□ 'Joy-riders' will now face prison sentences of up to 5 years, unlimited fines and unlimited driving bans.

□ We will extend the maximum sentence for causing death through dangerous or drink driving.

□ We will sustain our massive prison reform and building programme.

□ We will introduce a major Criminal Justice Bill in the lifetime of the new Parliament.

□ We will bring forward proposals for reform of Sunday Trading laws once the legal position has been made clear by the European Court of Justice.

Pornography, privacy, libel

□ British domestic controls on pornography will remain in place even after the completion of the single European Market.

□ *Racial and sexual discrimi*nation have no place in our society. We have given the police stronger powers to deal with racial hatred. We will continue to ensure that the full force of the law is used to deal with racial attacks.

Community relations

□ Racial and sexual discrimination have no place in our society. We have given the police stronger powers to deal with racial hatred. We will continue to ensure that the full force of the law is used to deal *with racial attacks*.

Immigration

□ Asylum Bill to be reintroduced in the new Parliament tocreate a faster and more effective system of determining who are genuine political refugees, *and who are not*.

Health

●We will, year by year, increase the level of real resources committed to the NHS. Savings made through greater efficiency will be ploughed back into the Service.

●We will continue to develop the NHS Trust movement which places responsibilty for managing hospitals and other services with local teams who are closest to patients.

●We will ensure that the benefits of fundholding arrangements are available to any GP who wishes to apply, and we will be ready to extend the scope of the scheme further as it develops.

Patient's Charter

●Binding guarantees will be set locally for in-patient waiting times, starting with the operations where waiting causes most distress. To ensure that progress on waiting times continues, we intend that from 31 March 1993, no one should have to wait more than 18 months for a hip or knee replacement, or a cataract operation. We are sure that, as now, many hospitals will be able to do better than this.

●We will move to a system under which a named nurse or midwife will be responsible for your care while you are in hospital.

We will set specific targets for out-patient waiting times.

Children and retirement

●We will ensure that the standards implemented through the Children Act are applied sensibly, and do not discourage private of voluntary arrangments which are often best suited to the needs of children and parents.

●We will carry forward a family support initiative, encouraging the voluntary sector to work in partnership with families and local authorities.

●We will continue to pay, from April 1993, a rebate at the level recommended by the Government Actuary for all those who contract out of the State Earnings-Related Pension Scheme.

●We will legislate to provide a new 1 per cent incentive for holders of personal pensions aged 30 and over from April 1993, when the existing incentive ends.

●We will consider proposals for a new system of rebates to come into effect from April 1996 with the aim of ensuring that personal pensions remain attractive across the age range.

●We are firmly committed to equal treatment for men and women in pensions. Following assessment of the responses to our discussion paper, we will bring forward legislation to achieve this.

Brighter Britain

We will maintain mortgage tax relief.

We will introduce a nationwide 'Rents to Mortgages' scheme, enabling council tenants to take a part-share in *their home, gradually stepping* up to full ownership.

We will put more of the Housing Corporation's £2bn budget into Do-It-Yourself shared ownership.

We will introduce 'Commonhold' legislation, giving residential leaseholders in blocks *of flats the right to acquire the* freehold of their block at the market rate. Leaseholders of higher rated houses will also be given the right to buy the freehold of their property. Leaseholders who live in a block which does not qualify will have a new right to buy an *extended lease*.

We will introduce statutory time limits for answers by local authorities to standard inquiries by house-buyers.

We will extend nationwide the scheme we have piloted to increase private renting, whereby housing associations *manage properties*.

As soon as possible in the new Parliament, we will introduce a new 'Rent a Room' scheme under which home-owners will be able to let rooms to lodgers without having to pay tax on the rent.

Meeting housing need

We will revolutionise management of council houses and flats. Compulsory competitive tendering will oblige local authorities to bring in managers.

We will give tenants a new Right to Improve, so they can receive compensation for certain home improvements.

We will work with the Housing Corporation to establish an Ombudsman for housing association tenants.

We will set up a Task Force - headed by an independent chairman - to help bring empty government residential properties back into use.

Transport

In the next Parliament:

By franchising, we will *give* the private sector the fullest opportunity to operate existing passenger railway services.

Required standards of punctuality, reliability and quality of service will be specified by franchises; subsidy will continue to be provided where necessary; arrangements to sustain the current national network of services will be maintained; and through-ticketing will be required.

A new Rail Regulator - who will ensure that all companies have fair access to the track - will award the franchises and make sure franchisees honour the terms of the contract.

BR's accounting systems and internal structures will be reorganised. One part of BR will continue to be responsible for all track and infrastructure. The operating side of BR will continue to provide passenger services until they are franchised out.

Our aim will be to franchise out services in such a way as to reflect regional and local identity and make operating sense. We want to recover a sense of pride in our railways and to recapture the spirit of the old regional companies. We will sell BR's freight operations outright. We will also sell its parcels business. We will be prepared to sell stations - which we want to be centres of activity - to franchisees or independent companies. The Railway Inspectorate will be given full powers to ensure the highest standards of safety.

We will *improve road trans*port by:

Investing £6.3bn in our trunk road and motorway network over the next three years, concentrating particularly on bypasses.

Privatising the remaining 39 local authority bus companies. Deregulating buses in London and privatising the London Buses subsidiaries. A new London Bus Executive will be responsible for bus stops, stands and stations and for contracting out socially necessary services.

Changing the system under which motorway service areas are provided.

Encouraging action internationally, and within our own motor industry, to promote more fuel-efficient vehicles.

We will further liberalise transatlantic air services and encourage more international flights to and from regional airports.

We will encourage local authorities to sell their airports.

We will seek to privatise the Docklands Light Railway during the lifetime of the next parliament.

Local government

We will set up a commission to examine, area by area, the appropriate local government arrangements in England. Local communities will be fully consulted and *their loyal*ties and interests will be central to the commission's task in deciding whether in any area a single tier of local government could provide better accountability and greater efficiency.

Cities

We will continue to extend City Challenge and allocate a greater proportion of resources by competitive bidding.

We will bring together resources for targeted inner city programmes into a single budget.

New, integrated regional offices of the appropriate Whitehall departments will be established.

We will establish a new Urban Regeneration Agency to pull

Towards the millenium

The Millenium Fund

We propose to introduce a national lottery from 1994, which would help provide funds for a number of good causes in the artistic, sporting heritage and charitable fields - and from which some funds would be put aside for a Millenium Fund.

The Millenium Fund could be used, for example: To restore the fabric of our nation; our great inheritance of buildings, which symbolise and enrich our national life.

ELECTION 1992: The Labour manifesto

Recovery tops the agenda

Labour says it would build the economy, modernise the National Health Service and raise the standards in schools. It also stresses a commitment to constitutional reform, more importance for the family and community, and a greater role for Britain on the international stage. Manifesto highlights are:

Ashley Ashwood

Workforce: Labour leader Neil Kinnock and his frontbench team launch the party's campaign yesterday, trading under the slogan 'It's time to get Britain working again'

Immediate action for national recovery

TODAY, millions of people fear losing their jobs, their homes or their business. The new Labour government's National Recovery Programme will start to remove that fear, with immediate action on investment, jobs and training. It will combat recession now and build sustained and sustainable recovery for the future.

We will provide enhanced capital allowances to encourage companies immediately to bring forward manufacturing investment in new machinery and plant, innovation and design. They will last for a limited period.

We will introduce an investment tax incentive tailored to the special needs of small businesses.

We will immediately begin the phased release of receipts from the sale of council houses, land and property to allow local authorities to build new homes and improve old ones.

We will allow British Rail to proceed with a leasing scheme of 188 new Networker trains on the North Kent line - the first step in securing private investment to help modernise Britain's railways and protect our environment.

Housing investment will generate jobs. We will also establish a work programme, combining three days' a week work for the unemployed - paid at the proper rate - with two days' training and job seeking. The programme, which can be quickly and easily established, will allow us to start bringing down unemployment immediately.

We will restore last year's training cuts which caused so much damage to training for young people and the unemployed. We will establish a new cash-limited 'Skills for the 90s' fund, with an initial budget of £300m to upgrade the training of those in work. Investment will be targeted particularly at areas of skill shortages.

Over the next 22 months, additional resources of at least £600m will be available for investment in education. Among other projects, this will help to tackle equipment shortages and the backlog of school repairs.

Over the next 22 months, additional resources of at least £1bn will be available for investment in the National Health Service.

We will extend the exemption from tax which applies to workplace nurseries to all forms of employer assistance with childcare.

Building a strong economy

Labour's economic policy rests on *one simple*, common sense fact. The only way for Britain to build a strong economy is to make the goods and services which people at home and abroad want to buy.

Business needs sustained and balanced growth, stable exchange rates, steady and competitive interest rates and low inflation. We will deliver them.

To *curb* inflation, Labour will maintain the value of the pound within the European Exchange Rate Mechanism. We will manage credit sensibly. We will stop excessive price rises in water, electricity, telephones, transport and NHS prescriptions.

We will introduce fair taxes. The most effective way *to* reduce poverty quickly is to increase child benefit and pensions and take low-paid people out of taxation. To achieve these goals, we will reform the national insurance and income tax system.

We will increase child benefit to £9.95 a week for all children, with the full value going to every family.

We will increase the basic retirement pension by an extra £5 a week for a single person and £8 for a married couple.

We will abolish the 2 per cent national insurance contribution on earnings under £54 a week – effectively a £56 annual entry fee into the national insurance system.

We will take 740,000 taxpayers out of taxation altogether, by increasing the personal allowance and wife's earned income allowance by more than inflation. Married couples will have the option of splitting the married couple's allowance between them as they choose.

The basic rate of tax will remain unchanged at 25 per cent, as will the 40 per cent rate. A new top-rate income tax of 50 per cent will apply to individuals with an income of at least £40,000.

Labour's tax and benefit changes are self-financing. They are fair. And they will make every individual employee on earnings up to at least £22,000 a year better off.

Every autumn, we will make a State of the Nation report on the British economy.

In order to provide honest information about the state of the British economy, we will make the Central Statistical Office independent.

We are determined to make a swift reduction in unemployment by immediate action for unemployed people, as well as direct investment - to create thousands of new jobs.

An Investment Decade for Britain will start with the immediate introduction of enhanced investment allowances We will help Britain's *high technology industries* with a 25 per cent tax credit for additional investment in research and development. Small firms will be assisted with a new investment scheme, combining a cash-limited fund for new investments with tax incentives tailored to their special needs.

Labour will work with industry to establish British Technology Enterprise and create Technology Trusts throughout Britain, helping firms turn good ideas into commercial products.

Labour's Minister for Science will develop a national strategy to promote high-quality science and technology.

We will strengthen our regional economies. We will establish new *Regional* Development Agencies in England, strengthen Scottish Enterprise and the Welsh Development Agency and modernise regional incentives.

Labour's National Investment Bank, operating on strictly commercial lines, will bring public and private sector together to invest in long-term regional and national infrastructure projects.

Small and growing businesses will have a new deal. As well as the lowest possible interest rates, they need the backing on which their competitors can rely in France and Germany. Labour will establish a network of one-stop advice centres. We will give special attention to the establishment of small businesses by women, and members of the ethnic minority communities.

We will invest in modern transport. It is absurd that French Railways can raise funds for new investment in the City of London, when British Rail is not allowed to do so. We will remove these restric*tions. Leasing schemes* will allow large-scale investments to be financed at relatively little cost to the public sector borrowing requirement. Private finance will also be mobilised for a high-speed rail network which will eventually link every region to the Channel tunnel, with proper environmental *safeguards*.

We will improve energy supplies. Britain is well placed with reserves of coal, oil and gas which must be husbanded in a national energy policy. We will encourage enhanced recovery of oil from the North Sea and avoid becoming over-dependent on imported fuel. We will meet our international obligations to reduce harmful chimney emissions.

We will restore public control of the National Grid and give it new duties and powers to ensure the long-term security of electricity supplies. We will secure the long-term future of the coal industry by reducing imports, stopping the "dash for gas" and reining back on open-casting. We will retain the Department of Energy and move its petroleum engineering directorate to Aberdeen.

A critical task is to upgrade the skills of people in work. Training and Enterprise Councils will be retained.

There will be a fair framework of law for both employers and unions. There will be no return to the trade union legislation of the 1970s. Ballots before strikes and for union elections will stay. There will be no mass or flying pickets. But our individual employees are entitled to be treated at least as fairly as their colleagues in Europe.

We will opt in to the Social Chapter of the new European Treaty and introduce employment standards common in successful economies.

We will give all employees equal rights and status under the law. We aim to guarantee every woman in employment the right to 14 weeks' mater*nity leave on full pay, and to* give fathers paternity leave.

Employees will have new rights to be consulted and informed about decisions which affect them, as well as the right to union membership and representation. We will restore union rights at GCHQ.

We will end the scandal of poverty pay and bring Britain into line with the rest of Europe by introducing a statutory minimum wage of £3.40 an hour. This is a major but long overdue reform which will benefit around 4m low-paid people, 80 per cent of whom are women.

Employees should have the opportunity to own collectively a significant stake in the company for which they work, through *a democratic* Employee Share Ownership Plan (ESOP) or a co-operative. We will strengthen support for such schemes.

Recent pension fund scandals have shown how right Labour has been to call for stronger legal protection. We will reform the law so that pension funds belong to their members, not to employers. Half of the pension trustees will be employees, with an independent chairman, and pensioners will be represented.

Modernising the NHS

THIS election will decide the future of the National Health Service. Indeed, it will decide whether or not we continue to have an NHS of the kind that the British people want.

Labour will stop the privatisation of the NHS and return opted-out hospitals and other services to the local NHS. We will halt the commercial market which is creating a two-tier health service.

We will make additional resources of at least £1bn available for investment in the NHS over the next 22 months. Each year thereafter, we will continue to tackle underfunding.

Labour will recognise the additional claims on the NHS from the growing number of very elderly people and the development of medical technology and knowledge. We will retain the pay review bodies.

We will also launch a new programme to invest £80m in the modernisation of Britain's cancer services, using the resources we will save by scrapping the Conservatives' tax handout on private medical insurance. Within our overall budget, we will tackle the shortage of intensive care beds with a special programme providing an additional £25m to expand this life-saving service.

We will set new targets to cut the inequalities in health between social classes and ethnic groups. We will, for instance, strengthen screening by restoring the free eye test.

GPs have a vital role to play in health promotion. We will increase the time they have for each patient by reversing the financial pressures to take on too many patients. We will make sure every community has access to dentists with the resources to provide full NHS cover, and will restore the free dental check.

To achieve this change of direction, we will negotiate performance agreements with each health authority and back them with an incentive fund to reward authorities which perform well.

We will restore the right of patients to be treated in the hospital of their choice. Women will have the right to be seen by a woman GP.

We will invest £25m from within our overall budget to purchase several hundred more new, fully equipped ambulances.

Raising standards in our schools

Labour will modernise Britain's schools. Over the next 22 months, additional resources of at least £600m will be made available for investment in education. We will then continue steadily to increase the share of Britain's national wealth invested in education.

We will offer nursery education to three- and four-year olds. Within six months, every local education authority will have to set targets for steadily increasing nursery and childcare services.

Teachers will be guaranteed a proper salary and career structure. A General Teaching *Council for England* and Wales will help them achieve the highest professional standards.

Within 12 months, we will end the scandal of primary school classes of over 40 children.

Nine out of 10 children of secondary school age are in comprehensive schools. We will end selection at 11 where it still exists. We will introduce a fairer system for all school reorganisations, with independent public inquiries.

We will phase out the assisted places scheme (without affecting pupils currently on a place, or offered one.

Because the national curriculum cannot be properly taught without new textbooks, we will earmark funds for class and library books. We will start this year by giving every primary school £10 per child for investment in books.

We will start to tackle the backlog of school repairs. For instance, we will invest £30m to ensure that within 12 months, no child has to use an outside lavatory.

Conservative plans to privatise the schools' inspectorate will be scrapped. Our Education Standards Commission, together with Her Majesty's Inspectors, will monitor the performance of every school. If a school is underperforming, the commission, which will be answerable to parliament, will have the powers to ensure that it is brought up to standard.

National Awards, similar to the Queen's Award for Industry, will encourage excellence in schools.

We will reform the Conservatives' scheme for the local management of schools. All schools will be free to manage their day-to-day budgets, with local education authorities given a new strategic role. Opted-out schools will be freed from central government control and, together with City Technology Colleges, brought into the mainstream of the local school system.

Home-school contracts will tell parents exactly what the school undertakes to deliver and what their responsibilities are. If they are dissatisfied with the school or education authority, they will be able to call in the Education Standards Commission and get action taken.

We wish to see the key role of church and other voluntary-aided schools secured and available equally and on the same criteria to all religions.

Labour will modernise the national curriculum and apply it in all schools. From the age of 14, pupils will study five essential subjects: English, mathematics, science, a modern language and technology. Every pupil will also be offered a wide range of academic, technical and other options.

We will establish a five-subject A-level and bring it together with technical qualifications into our new Advanced Certificate. Open to part-time and full-time students of any age, it will include "credits" which can be transferred between different institutions.

Sixteen-year-olds not in full-time education will be entitled to a new traineeship lasting for up to two years, with an option of a further two years. Every young person in employment will be guaranteed the right to Learn While You Earn.

The student loan scheme deters many bright youngsters from poor families. We will replace it with a fairer system of student grants and targeted help for housing and vacation hardship. We will take effective steps to safeguard standards throughout higher education.

We will stop the Conservatives' adult education cuts.

Best future for families and communities

Britain's families deserve the support which families receive in other European countries.

We will increase child benefit for 7m families. Higher pensions and related benefits will benefit another 12m people. We will reform the tax and national insurance system and take 740,000 people out of tax altogether. After the first year's extra increases, we will restore the link between increases in the basic pension and prices or earnings, whichever is higher.

Britain's national insurance system is far more efficient than private insurance. We will explore ways of opening it up to new groups such as low-paid and part-time workers.

Labour will end the Conservatives' freeze on benefits for widowed mothers and other lone parents. We will encourage parents on income support to claim maintenance by allowing them to keep part of it before benefit is cut.

We will restore nutritional guidelines for school meals and reverse the cuts in free school meals as soon as possible.

As resources allow, we will improve and extend the invalid care allowance.

Labour will develop a flexible decade of retirement between the ages of 60 and 70, so that men and women can choose to retire on a full pension or continue in work without discrimination.

Our new National Pensions Plan, building on the State Earnings Related Pension Scheme, will offer people now in work a pension based on their 20 best years' earnings. Those who are self- employed will also be able to join. Occupational and personal pension schemes will have to guarantee a minimum pension before they can contract out, and guarantee equal treatment for men and women.

We will reform means-tested benefits, replace the Social Fund, and restore benefit rights to 16 and 17-year-olds as soon as possible. To relieve anxiety about funeral costs, we will make a funeral payment of £600 available on request. The costs will in most cases be recovered from the deceased's estate, although small estates will be disregarded.

Labour will abolish the poll tax immediately. We will replace it with our Fair Rates system, related to people's ability to pay. We reject the Conservatives' unfair banding and discount system which would create a property poll tax. We will modernise the valuation system to ensure that properties are fairly assessed.

Abolition of the minimum 20 per cent contribution – which will be of particular help to young people – will be followed by an improved rebate system, with special help to retired people on low incomes living alone. Business rates will become a local tax again, with rate rebates for small firms.

Labour will establish mortgage rescue schemes throughout the country. Housing log books and an end to gazumping will also help home-buyers.

Labour will keep the right to buy. We will increase the number of homes for rent by establishing a Housing Bank to facilitate the balanced use of councils' capital receipts and offer investment capital at attractive rates of interest.

Council tenants will be guaranteed real rights over their homes.

Compulsory competitive tendering will be abolished, but the Quality Commission will have the power, where services have broken down, to insist they are put out to tender, *with contractors required to* meet conditions such as quality thresholds and fair employment.

We shall introduce annual elections in England and Wales, with one third of councillors elected each year.

We will reform the system for allocating grants to local councils and introduce less centralised rules on capital spending, enabling councils to make prudent long-term investment.

Our Consumers' Charter will cover all goods and services. It will include tougher health and safety standards, compensation for injury from dangerous products and comprehensive guarantees.

Every utility will be required to provide a customer contract, with compensation if standards are not met. Gas and electricity disconnections will be banned completely where young children or elderly people are concerned.

We will strengthen the regulation of the utilities. We will establish a Petroleum Products Regulator.

The provision of water is so fundamental that it is a priority for return to public control.

Labour's independent Food Standards Agency will ensure high food quality standards. Our Department of Food and Farming will offer British farmers and consumers a better deal. Subsidies for production will gradually be replaced with green premium payments to promote environmentally sound management of the countryside.

We will transform transport policy by ensuring, for the first time, that all road, railway, aviation, shipping and inland waterway transport projects are judged on an equal basis, taking account of their environmental, social and economic impact.

Within six months, we will review the roads programme and mobilise private capital for large-scale public transport investment.

We reject Conservative plans to privatise British Rail. Instead we will modernise, setting clear performance targets to improve the quality of service, expand electrification and shift more freight from road to rail.

We will end the deregulation of buses, introduce bus priority measures integrated with new rapid transit systems within a "green light" programme designed to encourage people to transfer to public transport. Proper concessionary fare schemes will be developed in every area.

We will reform transport taxation in order to encourage smaller, cleaner cars and the use of catalytic converters. Company cars will be fairly taxed.

We will seek to reverse the unacceptable decline in Britain's merchant navy and encourage the greater use of British-owned and crewed vessels.

We will establish a new independent transport safety inspectorate within the health *and safety legislation to* improve the safety environment.

We will not invest in new nuclear power stations, continue with those in the planning process or extend the lives of existing nuclear stations beyond their safe life span.

A modern democracy

It is time to modernise Britain's democracy. Central to Labour's purpose in government is our commitment to radical constitutional reform. Our Charter of Rights, backed up by a complementary and democratically bill of rights, *will establish in law the* specific rights of every citizen.

We will start in our first Parliamentary session with a Freedom of Information Act.

We will give power to the nations and regions. We will move immediately to establish an elected Scottish Parliament.

In our first year, we will introduce a new Welsh Language Act. We will establish in the lifetime of a full Parliament an elected Welsh Assembly in Cardiff with powers and functions which reflect the existing administrative structure.

A regional tier of government in the English regions will take over many powers now exercised nationally, such as regional economic planning and transport.

To simplify local government in England, we will establish "most purpose" authorities generally based on district councils. We will consult widely before finalising proposals.

London is now the only European capital without the advantage of its own elected strategic authority. Labour will give Londoners the right to elect a new Greater London Authority.

We will safeguard press freedom. We will remove unjustified restrictions on broadcasting and establish an urgent inquiry by the Monopolies and Mergers Commission into the concentration of media ownership. If the press fail to deal with abuses of individual privacy, we will implement the Calcutt Report's recommendations for statutory protection.

We will strengthen Britain's Data Protection Act in line with European practice. The security services will be brought under the scrutiny of a Parliamentary Select Committee.

Labour will continue the present talks on Northern Ireland. In the long term, we want to see a united Ireland achieved by consensus and without violence.

We will fight terrorism strongly by every lawful means, repealing the counter-productive Prevention of Terrorism Act and replacing it with a measure which is more effective in combatting terrorists and genuinely acceptable in a democratic society.

We will give shareholders the right to vote upon all political donations made by public and require donations to political parties to be declared in a public register.

Further constitutional reforms will include those leading to the replacement of the House of Lords with a new elected Second Chamber which will have the power to delay, for the lifetime of a Parliament, change to designated legislation reducing individual or constitutional rights. We will continue to encourage a wide and well-informed public debate on the electoral system.

We will after consultation on the most appropriate democratic arrangements, introduce as a general rule a fixed Parliamentary term.

Britain in a new world

We need a new government to grasp new opportunities. A Labour government ready to exploit Britain's unique, interlinking membership of the United Nations Security Council, Nato, the Commonwealth, the European Community and the G7.

It's a new chance to provide genuine security for Britain.

Unlike the Tories, we recognize that disarmament negotiations and technological change can bring about problems for our defence industries. Nearly 100,000 jobs have already been lost during the past two years *and 123,000 more are in danger.*

The Labour government will set up a Defence Diversification Agency to assist workers, communities and companies affected by change.

The Labour government will promote Britain out of the European second division into which our country has been relegated by the Tories.

We shall play a positive role in negotiations on Economic and Monetary Union. We shall fight for Britain's interests, working for Europe-wide policies to fight unemployment and to enhance regional and structural industrial policy. The elected Finance Ministers of the different countries must become the effective political counterpart to the central bank whose headquarters should be in Britain.

As part of the evolving role of the regions of Europe, we will establish a Scottish representative office in Brussels and seek appropriate rerpesentation for the Scottish Parliament in European institutions. We shall seek fundamental changes in the wasteful Common Agricultural Policy.

We shall make the widening of the Community a priority.

The Labour government will aim to meet the United Nations aid target of 0.7 per cent of GNP within five years - the lifetime of a full Parliament.

ELECTION 1992: Campaign in the regions

NORTHERN IRELAND

Disturbing the peace of Ulster's 'Gold Coast'

Tim Coone on a four-way battle with crucial implications amid the golf courses of the North Down seat

THE NORTH DOWN constituency in Northern Ireland is like no other in the province.

Here is the "Gold Coast" commuter belt of Northern Ireland, where a dozen golf courses and the ubiquitous two-car garages, horse-boxes and boat-trailers define the lifestyle of the business executives and senior civil servants who run the province.

The buzz of lawnmowers and chatter of birdsong are all that are likely to intrude upon the silence, not the blast of Semtex or bursts of gunfire – even though the Falls and Shankill roads of Belfast are just 15 minutes' drive away.

But North Down is about to become the most hotly contested seat in the Northern Ireland general election campaign. Mr Jim Kilfedder, an independent Unionist and MP for 22 years, is defending a 3,900 majority against a three-pronged assault – from another Unionist, the Conservative party and the non-sectarian Alliance Party. The nationalist SDLP does not normally stand in North Down, as it has little local support. This is one of only four Ulster seats it is not fighting.

The outcome will have little influence on the overall election result, but could have a crucial bearing on the future of Northern Ireland politics.

The campaign is not being fought on tax cuts or government spending. All the candidates agree it is being fought over the future form of government for Northern Ireland.

The Conservative party is for the first time mounting a concerted challenge to the Unionists, fielding candidates in 11 of the province's 17 constituencies. North Down, which would be a "natural" Tory seat anywhere in England, is where they stand the most chance of success.

Mr Laurence Kennedy, the Conservative candidate and the party's leader in the province, says: "Unionism and nationalism is responsible for so much that has gone wrong in Northern Ireland."

But all is not well in the Tory camp – the Conservative government, through the Anglo-Irish agreement, is committed to an eventual devolved government in Ulster; the Northern Ireland Conservatives are not.

"Conservative policy on Northern Ireland is very non-specific," says Mr Kennedy. "We want the province governed in a similar way to the rest of the UK, with stronger local authorities and more attention paid to Northern Ireland at Westminster."

Local authorities in Ulster "currently only have powers to supervise rubbish collection, playgrounds and to bury the dead". Greater powers, he says, will create the opportunity for the minority nationalists to exercise greater influence.

Mr Kennedy is disappointed that Mr Peter Brooke, the Northern Ireland secretary, "has not come out and said that people here should join and support the Conservatives". It is doubtful that any senior ministers will be showing the flag in North Down during the campaign.

This weakness in Mr Kennedy's campaign is being exploited by his opponents. Mr Kilfedder claims that more than 80 prominent Tory figures have written to him declaring their support. In the event of a hung parliament, there is no doubt where his allegiance will lie: "I will be voting with John Major."

Mr Kilfedder's crypto-conservatism is exploited by traditional Unionists. For the first time since he won his seat in 1970, he is being challenged by a Unionist – Mr Denny Vitty of the Rev Ian Paisley's Democratic Unionist Party.

Mr Vitty describes both Mr Kennedy and Mr Kilfedder as "wolves in sheep's clothing". He says: "They cannot stand on both sides of the fence. They cannot be true Unionists as well as Conservatives."

His campaign will focus on the Unionist goal of ending the Anglo-Irish agreement. "We will use the opportunity of a hung parliament to negotiate from a position of strength," he says.

He believes that the maverick Mr Kilfedder, who split from the Ulster Unionist Party in the mid 1970s over his refusal to take the whip on a range of policy issues, will not win hard-core Unionist support. He is confident that the 5,000 new voters in the Protestant middle-class and working-class housing estates that have sprung up in North Down in the past five years will vote for back him.

Mr Addie Morrow, the Alliance candidate, hopes the divisions in the Conservative and Unionist ranks and the failure of either tradition to resolve Ulster's problems will create space for his party with its liberal, non-sectarian profile, to win its first Westminster seat.

"If we can achieve a breakthrough it will change the whole face of Northern Ireland," he says. His party stands for a devolved administration in Ulster and power-sharing between the two communities.

Whether an independent such as Mr Kilfedder can rely on his personal popularity to survive remains to be seen. At his seaside home in Bangor a portrait of Queen Victoria hangs on one wall. Framed pictures of the British and Irish parliaments hang on opposing walls in another room.

Contemplating the multiple challenge to his seat, Mr Kilfedder looks out at the small harbour in front of his house and laments he does not have time to go boating. "I don't even play golf," he confesses.

NORTH-WEST

Vulnerable seats win Olympian cash gifts

Ian Hamilton Fazey on why the region is vital to the national result

IF THE government could be accused of trying to bribe any group of voters close to the election, those in north-west England are a likely nomination.

The £55m for the Manchester-led bid for the 2000 Olympic Games, £50m to improve areas near Olympic sites and £27m for the Hallé orchestra's new concert hall emphasised the region's electoral importance.

It contains more than 20 of the Conservatives' 100 most vulnerable seats, the largest number of any region other than London.

Three ministers – Mrs Lynda Chalker (overseas development), Mr David Trippier (environment) and Mr Robert Atkins (sport) – are among those at risk.

Labour has 38 of the north-west's 79 constituencies, the Conservatives have 37 and the Liberal Democrats four – one, Ribble Valley, won in a 1991 by-election with an astonishing swing of 19.75 per cent on the single issue of the poll tax in what appeared to be safe Tory territory.

To win an overall majority Labour needs a nationwide swing of about 8 per cent. In north-west England this would give it 19 Tory seats. Davyhulme, which is held by Mr Winston Churchill, would fall at 8.1 per cent and Blackpool North at 8.5 per cent. Mr Kinnock will need such gains to realise his hopes of a 20-seat working majority.

The region is the UK's second biggest after London and the south-east, and accounts for a tenth of gross domestic product. The population totals more than 7m, with about 2.5m and 1.4m in Greater Manchester and Merseyside respectively, and the rest spread through Cheshire, Lancashire and Cumbria.

Generally, Labour holds the inner cities and towns, while the Tories are safest in places such as Crosby, Wirral West and Wirral South on Merseyside, Macclesfield, Eddisbury, Congleton and Tatton in Cheshire, and Fylde in Lancashire.

Wallasey has the smallest majority of any Tory seat in the region. In the 1987 general election Mr Lol Duffy, a Labour leftwinger, failed to unseat Mrs Chalker by only 279 votes. Labour's national executive has blocked Mr Duffy's candidature this time and local government results have been encouraging for Mrs Chalker, a popular figure with a stronger organisation this time.

The purged leftwing may also peg Labour back in Liverpool, where Mr Terry Fields is defending Broadgreen as an independent after being expelled from the party for his Militant connections. He may not win, but could let in Ms Rosemary Cooper, a Liberal councillor.

In the cluster of nine marginals in Greater Manchester and north-east Lancashire, the spectre of Ribble Valley looms large. In places like Hyndburn and the Rossendale Valley, working-class owner-occupation is high but the mainly terraced houses formerly enjoyed low rates. Thousands who voted Conservative in such marginal constituencies in 1987 have been poll-tax losers.

The marginals with the worst unemployment in the region are in the Wirral and Chester travel-to-work area, where nearly 26,000 were jobless at Christmas – a rate of 12.2 per cent.

The Tories are at risk here in both the city of Chester and in Ellesmere Port and Neston, as well as in Delyn on the Welsh bank of the River Dee.

The new Toyota components factory at Shotton, on the Welsh border near Chester, is recruiting workers and this could be critical to the "feel-good" factor in all three constituencies.

The final cluster of marginals is spread through Lancashire, mainly west of the M6. Lancashire West, centred on Ormskirk and Skelmersdale, Chorley, a new town in the angle of the M6 and M61 motorways, and South Ribble are all in the market-gardening, arable triangle between Preston, Merseyside and Greater Manchester.

Many upwardly mobile urban dwellers have moved here in the past 20 years. They have been hit by high mortgage interest rates and the rundown of the motor industry at Leyland, and are threatened by the impact of defence cuts on British Aerospace. The question is whether they will switch to Labour just as they are beginning to benefit from mortgage-rate reductions.

The issues may not be as clear-cut as round the corner in Cumbria at Barrow-in-Furness, where commitment to a fourth Trident submarine may decide the survival of Mr Cecil Franks, the Tory beneficiary of past Labour unilateralism.

The Tories will be trying to win back Ribble Valley from the Liberal Democrats, as well as the Merseyside seaside town of Southport, which they lost last time.

Hazel Grove, a slice of suburbia between Manchester and Stockport held by Sir Tom Arnold with a 1,840 majority, offers the Liberal Democrats one of their best chances in the country of capturing a Conservative seat.

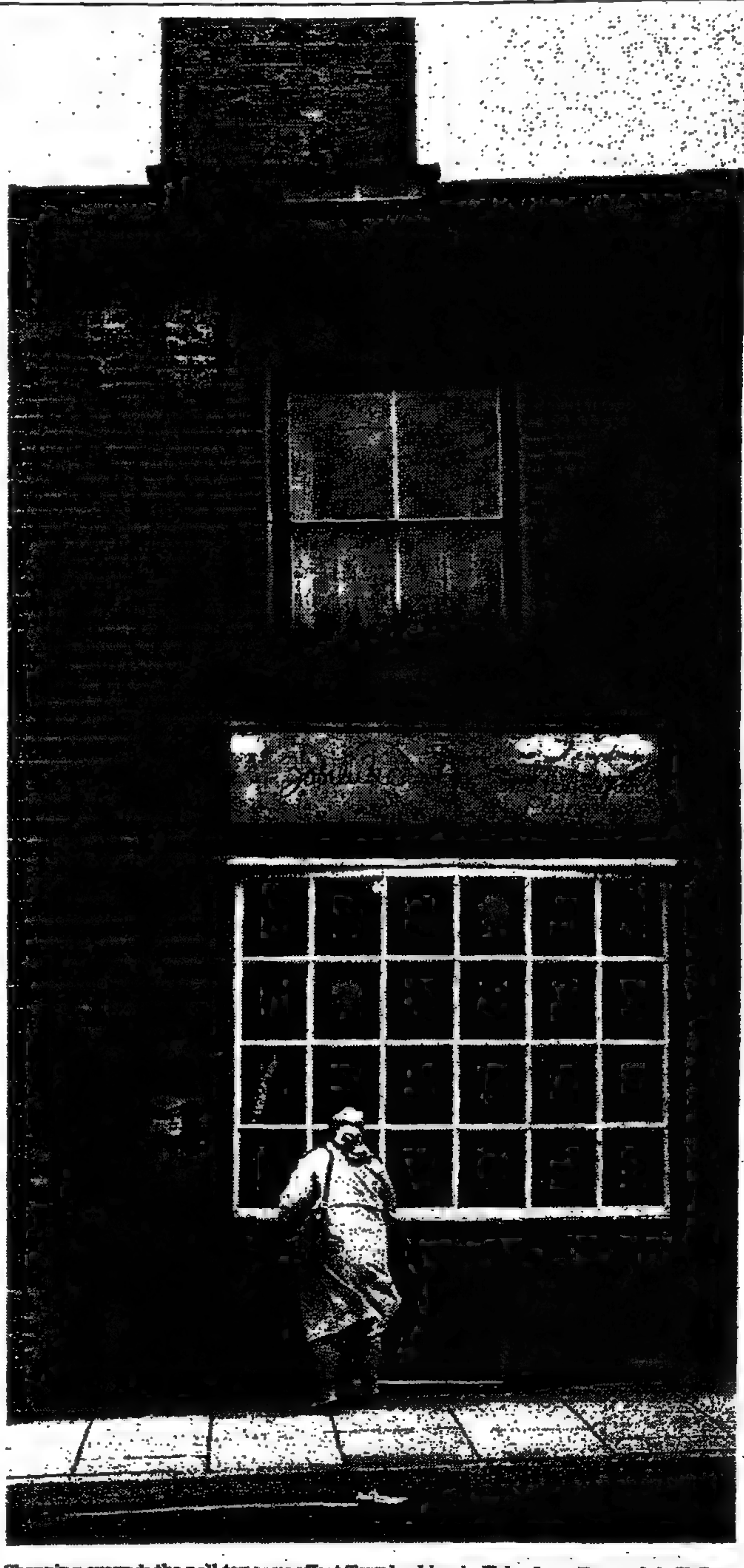
Marginals Labour must capture

Greater Manchester & north-east Lancashire	Labour swing needed (%)
Bolton North-East	0.9
Hyndburn	2.3
Pendle	2.6
Bury South	2.6
Stockport	3.1
Colne Valley**	3.7
Bolton West	4.1
Rossendale & Darwen* (David Trippier)	4.2
Bury North	6.2

Wirral, Cheshire & north Wales	Labour swing needed (%)
Wallasey* (Lynda Chlker)	0.3
Delyn	1.2
Ellesmere Port & Neston	1.6
Warrington South	3.1
City of Chester	4.6

Lancashire & Cumbria west of M6 & M61	Labour swing needed (%)
Lancashire West	1.1
Barrow & Furness	3.6
Chorley	6.7
South Ribble* (Robert Atkins)	7.1
Lancaster	7.1
Blackpool South	8.0

* Denotes Ministers at risk ** SDP/Lib Alliance second in 1987



Shopping around: the poll tax may affect Tory backing in Helmshaw, Rossendale Valley

SECURITY

Secret players on the trail with politicians

Jimmy Burns on efforts to stop the IRA disrupting the campaign

IT IS the most secretive issue of the campaign, but politicians can ill afford to ignore it.

Just over two weeks ago the IRA served notice that it would try to disrupt Britain's general election. Within days a bomb on a south London railway track disrupted commuters on Budget day.

With the election campaign under way, security chiefs are trying to guess where one of Europe's most deadly terrorist organisations might strike next. Senior police officers say there is no room for complacency, particularly given the IRA's past record of singling out politicians as targets.

The long running IRA campaign on the mainland and in Northern Ireland has deliberately avoided following a pattern.

It is thought that at least one terrorist cell could still be at large on the mainland. As one senior police officer put it yesterday: "We cannot afford to underestimate the IRA's military capability."

Because giving details of security arrangements would play into the hands of the IRA, police and party officials are extremely reluctant to talk about the subject. What is certain, however, is that the police officers openly shadowing senior politicians are only the most visible aspect of what one security expert described as a potential "organisational nightmare".

Foremost behind the scenes is the Metropolitan Police's Anti-Terrorist Squad (S013), supposed to be responsible for tracking IRA intentions and movements in co-ordination with other departments including M15, M16 and the Royal Ulster Constabulary.

Campaign managers and party organisers are responsible for liaising with the police and providing any additional measures. Both Labour and the Conservatives have engaged Securicor, the private security company, to protect buildings and search visitors.

The Met has assigned plain clothes Special Branch officers to many senior politicians. Each campaign event is assessed by police for potential risk and the precise destinations of senior politicians are not disclosed until a few hours before their arrival.

One Conservative party official said: "We are in the hands of the police. Details of an itinerary are released only the day before and only in terms of a general area. The specific location is given out only a few hours before."

The aim is to keep to a minimum the time an IRA hit squad might have to organise an attack on a target. However, some sectors of the media are showing signs of restlessness with the organisational difficulties this brings.

One social services specialist planning to accompany Mr Michael Heseltine on his visit to the inner cities this week still does not know whether he should book a train to Liverpool or catch the London Underground to Brixton. A group of press photographers said their campaign bus had been sent to the wrong destination by Tory headquarters.

So restricted is knowledge of Mrs Margaret Thatcher's schedule that when local party officials tacked the red carpet down on what turned out to be the wrong part of an obscure Isle of Wight wharf last week it was widely interpreted as a police attempt to wrong-foot terrorists.

For the police, co-operation with the parties in "discreet but effective security" remains the name of the game, though this could change as the political pressure in the run-up to polling day intensifies.

In the words of one senior police chief: "There is a fine line to be drawn between our need to protect potential targets and the party's need not to have a politician's access to the public too restricted."

There may also be a problem for the police if the IRA campaign were to intensify. According to one security expert with extensive expertise in anti-terrorist activity, the election campaign is putting huge organisational strain on a police force that believes itself already under-resourced in terms of the number of officers needed for dealing with the growing crime rate.

"There is not a hope in hell of protecting everybody," he said, "and even keeping up with the main players in the campaign is going to prove a real headache."

Additional reporting David Owen and Alison Smith.

NORTH-EAST

Tories seek to capitalise on 'new' industrial landscape

The region's four Conservative MPs face a tough challenge in what remains a Labour heartland, writes **Chris Tighe**

NISSAN'S Sunderland plant, exporting cars to Japan; the derelict Teesside land where Mrs Thatcher took her 1987 'walk in the wilderness', now redeveloped for service industries; these are symbols on which the Conservatives will seek to capitalise in the fight to keep their four north-east England seats.

"The NEW North East", proclaimed from government-funded Development Corporation hoardings, will be a recurrent Tory theme in this Labour heartland.

"The region's changing; we've moved away from the smokestack industries. It has new businesses, new industries, it's breaking down socially – there are fewer Andy Capps," says Darlington MP Michael Fallon, the only minister with a seat in the 30 constituencies between the Scottish border and North Yorkshire.

"As people move away from the highly unionised old industry, they are becoming much more in line with the rest of the country", insists Neville Trotter, Tynemouth's Tory MP since 1974. "At the last election we were at the nadir of that change. The difference in this election is the success of the transformation."

The north-east has undergone profound change since the late 1970s; the proportion of its workforce employed in coal, steel and shipbuilding has shrunk from one third to 2.5 per cent. Its environment has improved dramatically as heavy industry has dwindled; high crime levels aside, the region arguably offers a quality of life unsurpassed in the UK for those fortunate enough to be in well-paid, secure jobs.

It is not surprising that the Tories should play the "new" north-east card – they need good news in a region where a 2.5 per cent swing to Labour would cost them not only Stockton South, held by Tim Devlin in 1987 by just 774 votes, but Tynemouth (majority 2,583) and Darlington (majority 2,661).

Even Hexham, (majority 8,066), the only north-east seat which has been Tory since 1945, is causing difficulties – it has entered the campaign without a candidate after the resignation, following an "incident" on London's Hampstead Heath, of MP Alan Amos.

North-east Tories are a dogged bunch: it takes more conviction to be a Conservative in Easington than Esher. In many respects, Labour is the region's Establishment.

Academic observers, such as Professor John Goddard of Newcastle University's Centre for Urban and Regional Development Studies, suspect the Tories are clutching at straws in asserting that industrial change equals political change.

"I don't think there's a one-to-one relationship between the two," says Prof Goddard. "The history of this region is deep-seated. Traditional values are still there."

Mr Andrew MacMullen, lecturer in politics at Durham University, says Labour continues to enjoy stronger cross-class support. The 1992 "state of the region" report by the Labour-dominated Northern Region Councils Association says the area has fewer clerical, managerial and professional workers than the national average, lower household incomes and England's lowest proportion of those aged 16 and over in education.

Agenda for the North, a report from the Northern Development Company – spearhead of the Great North positive publicity campaign – says that the service sector is still underdeveloped, that many of the jobs it has created are for female part-timers, and that the regional economy's growth faltered in 1990 and went into reverse in 1991.

The region's recent rise in unemployment has been below the national average, yet it still has mainland Britain's highest rate.

Tories argue that Labour would jeopardise the progress the region has made. Privately they hope that, having suffered an above-average 7 per cent regional swing against them in 1987, any swing this time will be far smaller. They also harbour hopes of recapturing Langbaurgh – lost to Labour in November's by-election – and Newcastle Central.

In Stockton South, a three-way marginal, Mr Devlin's strongest chance lies in the decision of ex-Labour and ex-SDP MP Sir Ian Wrigglesworth, narrowly defeated in 1987, not to stand this time. In Darlington, Mr Fallon's status as schools minister may help him, though his strident views may cost him votes. Both he and his Labour opponent, Alan Milburn, have intellectual bite and a taste for a fight.

In Tynemouth, the Tories will attack the spending of Labour-controlled North Tyneside council; Labour candidate Paddy Cosgrove is a member.

The constituency's benighted Meadow Well estate, scene of riots earlier this year, could be an electoral liability for Mr Cosgrove or Mr Trotter. Apart from a criminal element and feckless parenting, Mr Trotter traces Meadow Well's difficulties to the loss of jobs in fisheries after the 1970s 'Cod Wars' and shipbuilding's move from brawn to high technology. In the new north-east, the past keeps breaking through.

Michael Fallon: he says there are fewer 'Andy Capps' in the north-east since the change in its industrial character

ELECTION 1992: Campaign in the regions

LONDON

Battle will be critical and unpredictable

Likelihood of several seats bucking the trend means race will be closely watched, write Michael Cassell and David Owen

THE BATTLE for votes across London's 84 parliamentary constituencies, which have the greatest *concentration of* voters and marginal seats in Britain, will be critical, colourful and unpredictable.

London's capacity to shock and surprise has added a piquancy to local and *national* elections for years, and April 9 is likely to maintain the tradition. The outcome of a fight stretching from Enfield to Croydon, from Uxbridge to Upminster, will be crucial in determining the identity of the next government.

Labour has not won a London seat from the Tories in a general election since Millie Miller snatched Ilford North nearly 18 years ago. The party needs to win between 15 and 20 if its hopes of forming the next government are to be met.

It is a tall order. However, the three elections since 1974, which have shrunk Labour's representation in the region from 51 to just 23, have left plenty of marginal seats in Tory hands, and a 7-8 per cent capital-wide swing should bring Labour the gains it needs. This, together with the likelihood that several seats will move against national trends, explains why the race in London will be watched so closely.

Will the Conservatives, who have 58 London seats, hold yuppified but heavily-mortgaged Battersea, and even snatch Labour Tooting? Will they lose Croydon North-West, to which many traditional *inner-city Labour* voters have migrated?

Can the Liberal Democrats keep their only London seat in Southwark and Bermondsey, and perhaps double their tally through the addition of Richmond and Barnes? Will the voters of Greenwich and Woolwich deliver the *coup de grâce* to the twitching corpse of the Social Democrats?

Is Mr Ken Livingstone, the former Greater London Council leader, safe in Brent East? Can Ms Glenda Jackson win rave reviews for Labour in Tory Hampstead and Highgate?

Labour claims that polls and canvass returns put the party on the threshold of the swing it needs, but in some respects the deck seems to be stacked *against it.*

There is real concern that the party's task will be made harder by the fall in numbers on London's electoral registers. A disproportionate number of poll tax fugitives are thought to be likely Labour supporters.

The party may again pay the price – as it did in 1987 – for the "loony left" image of some local authorities. Labour officials are confident the dragon *has been slain, through a* clampdown on extremism and a big effort to rebuild the party's reputation in the capital, but the auguries of the 1990 council elections are not altogether positive.

In spite of the widespread unpopularity of the poll tax, Labour only managed a swing of some 5 per cent across the capital, against 11 per cent nationally. Heavy defeats in *Wandsworth and Westminster,* and losses in Hillingdon, Brent and Ealing, eclipsed more pleasing victories elsewhere. Council by-election results since have further underlined the scale of the mountain Labour has to climb.

But the Labour campaign has at least "hit the ground running", in the words of Mr Bryan Gould, London campaign supremo. Showing commendable *diligence in the contest's* early days, the party claims to have already interviewed up to 40 per cent of voters in many constituencies.

It also has a recession to exploit. Unemployment and house repossessions have hit the relatively affluent south-east especially hard over the past year or so.

Unemployment will top the local agenda today when a visit by Mr Tony Blair, shadow employment secretary, coincides with the release of monthly jobless figures.

The party's London campaign team will endeavour to keep it there – along with health, transport, the economy generally and the party's plans for a strategic government for the capital. With polls suggesting that seven in 10 Londoners want an elected authority for their city, this is widely seen as a potential trump card.

The Tories today begin their attempts to disarm this and other Labour weapons in the capital with the launch of a London manifesto. The document *includes plans for a minister* for London transport and a cabinet sub-committee to co-ordinate ministerial efforts for improving life in London.

Besides outlining its alternative, the party will attack Labour's proposed authority as an embryonic GLC. Mr Michael Heseltine, *environment* secretary, has described Labour's plans as "expensive and divisive".

The Tories also plan to hit back at Labour horror stories about the National Health Service, transport and education, with detailed spending and performance statistics purporting to show an improvement in the overall picture.

Officials say the party will continue to supply "young men in white coats" to local television programmes to spread the Tory message on health, in the belief that voters' personal experience of local facilities is at the root of most concerns on the subject.

The extent of Labour inroads may be further limited by the number of *high-profile Tory* candidates defending marginal seats. For example, the prospects in Lewisham West of Mr John Maples, junior Treasury minister, may be improved by frequent media appearances as a party spokesman.

The Liberal Democrats will focus a large slice of their comparatively meagre resources on keeping what they hold: namely Mr Simon Hughes, MP for Southwark and Bermondsey. They are also optimistic of gaining ground in a limited number of constituencies where they have strong council representation.

This includes Tory-held Richmond and Barnes and Labour Bow and Poplar. The party also has its eye on Conservative seats in Twickenham, held by Mr Toby Jessel and, more ambitiously, Sutton and Cheam, where Lady Olga Maitland is standing as the Tory candidate.

Transport and pollution will figure prominently in the Liberal Democrat campaign. The party will also hammer away at the message that Labour is not alone in offering a strategic London authority, and that the Liberal Democrat version will be partly funded by locally-raised taxes.

Mr Hughes said members of the authority would be elected by the single transferable vote system of proportional representation, using the same constituency boundaries as in a general election.

The capital's key marginals

Seats Labour would find easiest to win

Votes cast 1987 (%)

		Con	Lab	Alln	Con lead
1	Dulwich	42.4	42.0	14.5	0.4
2	Battersea	44.2	42.4	11.9	1.8
3	Hornsey & Wood Green	43.0	40.0	15.1	3.0
4	Walthamstow	39.0	34.7	25.1	4.3
5	Hampstead & Highgate	42.5	37.6	19.3	4.9
6	Streatham	44.9	39.2	15.8	5.7
7	Westminster North	47.3	39.5	12.1	7.8
8	Lewisham West	46.2	37.9	15.9	8.3
9	Feltham & Heston	46.5	37.4	16.1	9.1
10	Croydon North-West	47.0	37.0	16.0	10.0
11	Lewisham East	45.1	34.2	20.7	10.9
12	Ilford South	48.4	37.5	14.1	10.9
13	Mitcham & Morden	48.2	35.2	16.6	13.0
14	Hayes & Harlington	49.2	35.5	15.9	13.7
15	Kensington	47.5	33.2	17.2	14.3
16	Putney	50.5	36.1	12.4	14.4
17	Brentford & Isleworth	47.7	33.2	17.5	14.5
18	Fulham	51.8	36.7	10.4	15.1
19	Edmonton	51.2	36.0	12.8	15.2
20	Eltham	47.5	32.0	20.5	15.5
21	Erith & Crayford	45.2	29.5	25.3	15.7
Liberal Democrats targets (where Lib/Dem have their best chance)					
22	Richmond & Barnes	47.7	7.1	43.8	3.9
23	Twickenham	51.9	8.4	38.3	13.6

WINCHESTER

Big guns open fire on rogue candidate

David Marsh on the war of words in Wessex

IT WAS the Tory party equivalent of sending a gunboat down the Itchen. Mr Douglas Hurd, the foreign secretary, yesterday waded into the fray over the two Conservative candidates for Winchester by calling for the withdrawal of Mr John Browne, the renegade MP who is standing for re-election to the Wessex capital.

Touring the damp city pedestrian precinct yesterday, Mr Hurd said Mr Browne's candidature was causing "complications" and advised him to stand down. It was the same reasonable tone with which Mr Hurd has dealt in the past with Saddam Hussein.

Mr Hurd was brought in to support the official Conservative candidate, Mr Gerald Malone, a 40-year old Glaswegian solicitor. The former Tory MP for Aberdeen South was selected as the official candidate after Mr Browne, in trouble for failing to disclose business interests, was disowned by the party, both locally and nationally.

The imbroglio has increased the Liberal Democrats' hopes of winning the seat. Their candidate – Mr Tony Barron, an energetic 50-year old quantity surveyor – yesterday predicted he would clinch a wafer-thin majority. "I don't care if they put up 20 Tory candidates, I'll still win," he quipped.

With Winchester showing one of the largest unemployment rises in Hampshire during the past two years, Mr Barron said the "feel-lousy factor" was aiding his cause.

*Speaking in the Conserva*tive Association offices above an estate agent, Mr Malone said he was confident of a 10,000-11,000 majority. In 1987, Mr Browne – the MP since 1979 – won with a reduced 7,400 margin ahead of the Social Democrats.

Mr Malone is benefiting from Central Office heavy artillery to show Tory voters that he, and not Mr Browne, is the one to back. Mr Tom King, the defence secretary, comes to Winchester today.

Of Mr Browne, Mr Malone said: "He is trying to convince people that he is the real brand of Omo, and I'm the biological version." He predicted his rival would reap a "derisory" vote.

"The people in this election will be voting very seriously ... They will not be distracted by the diversion of an independent," Mr Malone said.

Mr Browne has other ideas. Ensconced in the Winchester Conservative Club, the nondescript building smelling of *fried food which is his cam*paign headquarters, Mr Browne forecast he would lose only about 20 per cent of the 32,000 votes he won in 1987.

Assisted by his American wife, who calls their campaign van the "Jomobile", Mr Browne says he is representing constituents' best interests by refusing to bow to the local party's wish to unseat him. "I have been fixed as a scape*goat. They have now leapt on* my back as a troublesome person." He accused the Tories of using methods to discredit him which would make the KGB blush.

Watching Mr Hurd perform outside the local shops yesterday, Mrs Felicity Hindson, chairman of the local Conservative Association, sighed: "A lot of people have been very annoyed about this."

The Conservatives will be even more annoyed if this true-blue bastion totters.

ESSEX

Trying to avoid a messy squeeze

Ralph Atkins travels with Paddy Ashdown

NEVER HAS *so* much been staked on Essex man as when Mr Paddy Ashdown, Liberal Democrat leader, visited Brentwood yesterday.

"Essex is going to lead the way towards the new politics that Britain wants," Mr Ashdown told the media scrum outside a local training centre. He was determined not to be squeezed – either physically by journalists or by the Labour and Tory parties.

Mr Ashdown's tactic is to exude Churchillian confidence, of the "go back to your constituencies and prepare for government" variety of Sir David Steel, former Liberal leader. "Essex people" – as described by Ms Elizabeth Bottomley, Liberal Democrat candidate in Brentwood and Ongar – were buoyant, but not that buoyant.

Liberal Democrats have no MPs in Essex; the smallest Tory majority on Mr Ashdown's tour of the county yesterday was almost 14,000.

As the Liberal Democrat roadshow hit Colchester – photo opportunity No 2, as set out in a briefing note – Mr Ashdown pulled enough crowds to block the High Street.

"Where is *the hope?*" he asked of the Labour and Tory manifestos in a prearranged impromptu sound bite for lunchtime TV. "What does he mean, 'Where is the Pope'?" *asked a male shopper* at the rear.

Setting off across the road to begin a Royal Marine-style yomp around the shops, a builder shouted from his van: "I would have laid down my coat if it had been Mrs Thatcher."

Pensioners and shoppers were brushed aside, and television camera crews struggled to keep up. "It's an experience," said one elderly lady innocently as she was pinned against the wall.

Crowding into a bakery, a local activist shouted: "Is the election going to be a piece of cake?" Mr Ashdown searched, in vain, for the apposite riposte. "We are the jam at the centre of the doughnut," he declared finally. Watch out, the squeeze could be messy.

SOUTH-EAST

Tide may turn as recession bites

David Marsh on the question marks over a clutch of Tory marginals

A*CROSS* the rich green fields, the shopping malls and the drive-in Mcdonalds of southern England, the warm tide of Thatcherism rolled in during the 1980s, bringing prosperity.

Now, for thousands of home counties voters hit by recession, the tide of wealth has ebbed – placing important question marks over whether the Tories can hold on to a clutch of marginal seats strung across traditional Conservative territory.

If Labour is to have any chance of forming the next government, it must capture at *least half a dozen marginal* constituencies in the south – places such as Slough and Swindon, Basildon and Dover, and the two Southampton seats.

Neil Kinnock's party faces a tough struggle, but Labour has been helped greatly by the regional pattern of the recession. In contrast to the 1980-81 downturn, high interest rates and sluggish demand have affected the *service-based econ*omy of the south more than heavy industry in the north.

Starting from a much lower base, between February 1990 and January 1992, the numbers out of work rose 210 per cent in Berkshire, 143 per cent in Essex, 131 per cent in Hampshire and 127 per cent in East Sussex. On Merseyside, by contrast, the much higher unemployment rate has risen by a relatively modest 17 per cent in the last two years.

In Slough, one of the most *crucial marginals* where the Conservatives are defending a 4,090 majority, the business mood is subdued.

Leslie Robinson, head of the Slough Chamber of Commerce, says job losses have been felt across the board, from engineering to financial services, although he sees glimmerings of an upturn in a recent pick-up in local order books.

Mr Robinson says of the Conservatives: "They are fighting an uphill battle. They banked on being able to demonstrate quite clearly that the economy was out of reces*sion. But we don't see that.* To some extent, that has left them exposed."

John Watts, a jovial accountant who took the seat for the Tories in 1983, says he is confident of winning with a reduced majority. Eddie Lopez, his Labour challenger, claims that early opinion polling puts his party ahead with a double digit percentage lead.

These are still, of course, *early days. Speaking of the* many who are still undecided, Mr Watts says: "There are a lot of people who voted Tory last time, and whose instincts are still Tory. We have to convince them that they should follow their instincts." He admits, however, that "errors of judgment" in the government's handling of the late 1980s boom have made the pain worse. With a mortgage of £145,000 taken out near the interest rate trough in 1988, Mr Watts says he, too, is feeling the squeeze.

In *Southampton,* John Denham, Labour candidate for the Itchen constituency, says concern over unemployment, housing repossessions and falling incomes have given Labour an early campaign lead.

Mr Denham, a 38-year old consultant, claims: "A large number of people who voted Tory last time have now come over to us." Speaking of rising debt problems for individuals and small businesses, Mr Denham says: "A lot of people are no longer secure. They feel betrayed."

JAMES HILL, Conservative *MP for Southampton Test* since 1979, defending a 7,000 majority, is confident of holding the seat. But, in a sign of the Tories' overall defensiveness, he says additional economic turbulence caused by the last few months of uncertainty over the election date has made him a supporter of fixed-term parliaments.

Peter Beebe, director-general of the Southampton Chamber *of Commerce, says* a "cold draught" has blown up the Solent. High interest rates to beat inflation have exacted an "enormous price".

"It has curtailed investment, driven away consumer confidence and frightened people from spending money, let alone borrowing it," Mr Beebe says.

Local business fears that a Labour government might lead to "high and destructive taxation".

But Mr Beebe says that the pragmatic Labour-controlled *Southampton council* – from which both Mr Denham and Alan Whitehead, the Labour candidate for Southampton Test, are drawn – is a good example of how a "sensibly moderate" Labour administration might work nationally.

In another 1980s boom town, Swindon – where Labour, as in Slough, needs a 4 per cent swing to unseat the Conservatives – the downturn has raised the spirits of the opposition.

Jim d'Avila, the Labour candidate who is chairman of the local council's economic devel*opment committee, says:* "People are suffering and feel threatened. They're frightened that they may be next."

The Conservatives' task across the Tory heartlands is to focus on a different set of voters' fears: the uncertainties associated with a prospective Labour government.

But the party will have to make a double effort to convince people like Ian Devine, *the hard-hit proprietor of* a Southampton pine furniture shop, that it is worth sticking with the Tories.

Mr Devine, who has had the 'sale' posters in the window ever since he opened his shop a year ago, says he was "forced" into setting up his own business after being made unemployed.

"People are hanging on to their money. They don't want to spend it," says Mr Devine gloomily. "It will be a very close election."

Colin Beere

Harbouring ambition: Labour candidate John Denham claims an early campaign lead in Southampton Itchen

View from: Tokyo

Labour seems rosier from the other side of the globe

THE SECOND Battle of Britain it may look in London, but in Tokyo no one seems overly concerned about who wins it. Newspaper coverage of Britain's election campaign has been scant, with Japanese-language editorial comment missing altogether. And even well-informed Japanese seem utterly relaxed about the possibility of a Labour victory.

This is, at first glace, surprising. Japan had something of a love affair with Mrs Margaret Thatcher and on almost every front Britain is Japan's most important partner in Europe. Britain is a big recipient of Japanese direct investment, and under *the Tories* the two nations have seen eye-to-eye on a broad range of political and trade issues.

Following the collapse of the Soviet Union, Japan has sought to promote a tri-polar view of the world – with Japan, the US and Europe sharing leadership.

"This view is best understood by the British – rather than by France or Germany," says a Japanese foreign ministry official who spent his student days in Britain.

If the relationship is so important to Japan, why is the prospect of a change in government not more worrying? The *short answer is that Labour,* from halfway round the globe, does not look so fearsome.

Mr Taizo Nishimuro, general manager at electronics company Toshiba, says: "As a company which has large investments in the UK, we feel that the basic attitude to Japanese investment will not change drastically, notwithstanding the election result."

This needs to be put into perspective. Japanese people who lived in Britain under the last Labour government in the late 1970s were appalled by what they saw – declining living standards, materials shortages, disruptive strikes. Mrs Thatcher *remains* something of a folk hero in Japan for having cured the British disease – a reputation untarnished by the long British recession.

Professor Hidekazu Kawai, an academic specialist on British politics at Gakushuin University, says: "Most Japanese believe the British people are still enthusiastic supporters of Mrs Thatcher."

Yet even informed Japanese, who know that Mrs Thatcher has lost her political influence, believe that much of her legacy – the strengthening of market-based institutions, trimmed power of trade unions, the privatisations – will survive intact, regardless of who wins the election.

While the debates between the parties over taxation, economic policy, or social welfare are real enough, from a long *distance they look like much* huff and puff over small disagreements rather than debate over fundamental policy alternatives.

It is a battle for the moderate middle ground and, to the Japanese at least, it is not – as Mr Major tried to portray it – a choice between socialism and the market.

"This is not a referendum on the Tories for their past 13 years in government," says the foreign ministry official. It is rather a question of who best can run the government.

This is not to say there are no doubts at all. The Japanese government has been genuinely impressed by Mr Major's confident performance in foreign affairs, particularly in regard to Europe.

On the other hand, the foreign ministry official says: "We *do not know very much about* Mr Kinnock."

Mr Taida Hidea, who managed the London operation of Marubeni, the trading company, from 1977 to 1983, and is now general manager of international corporate planning, says: "I am just concerned, if Labour wins, that there not be a drastic change in economic policy."

This, he says, could potentially affect Japanese investment in Britain.

Mr Nishimuro says Toshiba is confident it can retain good relations with the EETPU electricians' union at its factory in Plymouth regardless of any changes in government policy. His only concern is that the social welfare costs of operating in Britain do not rise steeply. However, he points out that this has nothing to do *with Toshiba's Japanese own*ership and he thinks it probably won't happen.

If there is residual fear of a Labour government it is a fear of change, of the unknown, rather than objections to Labour or its policies.

Labour has made successful efforts to win friends. Party officials have repeatedly assured Japanese diplomats that Labour would place a high priority on maintaining close relations with Japan and that there would be no change in policy.

Mr John Smith, the shadow chancellor, visited Tokyo in 1990 and made a broadly positive impression. Mr Taida, who met Mr Smith briefly at the time, says: "I think we can believe him."

Underpinning all these views is a deep respect for, and even *envy of, the British* parliamentary system, where a change in governing party is seen as a healthy sign that democracy survives.

In Japan – where the Liberal Democratic Party has been in power since 1955 and opposition parties offer no credible alternative – this seems inconceivable.

Plainly, many Japanese people have accepted one of Labour's basic messages: that it is a credible candidate to govern Britain.

Steven Butler

UK NEWS

Rise in retail sales signals cautious upturn

By Emma Tucker, Economics Staff

RETAIL sales in Britain rose a modest 0.4 per cent in February, indicating a cautious upturn in consumer demand and bringing the year-on-year increase to 1.5 per cent.

In the three months to February, however, sales grew by only 0.1 per cent, compared sith the previous three-month period. In the six months to January sales hardly grew.

The Conservative party, on the defensive following the publication of poor output figures, said the rise was an indication of an imminent economic recovery.

"Retail sales volumes are now firmly established on a modest upward trend, as consumer confidence is being restored," said Mr Norman Lamont, the chancellor of the exchequer.

Mr Gordon Brown, Labour's spokesman on trade and industry, said the figures showed a fall in sales in February when measured by value rather than volume. Economists, meanwhile, warned that the pick-up could easily be reversed.

Mr Michael Saunders, of securities' house Salomon Brothers said: "The trend in retail sales is still generally flat. Consumer spending in coming months is likely to be held back by weak personal incomes."

The official figures showed that last month's rise was concentrated in mixed-business – mainly department stores – where sales rose by 3.4 per cent on the month. Non-food sales rose 0.7 per cent on the month after falling 1.6 per cent in January. Food sales dropped 1.2 per cent in February after rising 2.3 per cent in January.

Sales in household goods – a sensitive indicator of consumer confidence – rose 3 per cent in the three months to February compared with the previous three month period.

The more optimistic picture of the economy suggested by yesterday's retail sales figures contrasts significantly with the monthly industrial output figures released earlier this week which showed a fall of 0.7 per cent in February. The year on year decline in manufacturing output was 3.5 per cent.

The two sets of figures suggest retailers are running down stocks rather than making new orders.

Discrimination haunts women executives

Diane Summers reports on the growing fear of bias among leading female directors

MOST female company directors believe women in Britain are the victims of workplace discrimination, according to a survey on women's views at the Institute of Directors (IoD).

Of the female executives questioned by the IoD, 75 per cent said bias was common and a third said they had direct experience of sex discrimination, particularly in the early stages of their careers.

Male attitudes at work and employers' inflexibility over childcare and domestic responsibilities, were blamed in the survey as the chief causes of the discrimination.

Lady Wilcox, a member of the IoD council, said there was evidence that, because of the pressures on women at the top, they were leaving it too late to have children. The survey showed that 43 per cent of the female directors were childless.

Female directors, however, oppose any system of quotas or targets to boost the numbers of women in top jobs. In the survey, respondents said they could be accused of not achieving their positions on merit.

Mrs Karen Silcock, an IoD council member and senior executive with Touche Ross management consultants, said that for many women getting to the top was a "confidence problem".

The IoD has 2,600 female members out of a total membership in the UK of more than 33,500. The survey of a random sample of 200 women directors, of whom 90 per cent were executive directors.

Why women face discrimination at work

Source: Institute of Directors

The main findings of the survey include:

- **Discrimination against women.** Men and women do not get equal chances at work, according to 74 per cent of the female directors surveyed. Directors in the service sector felt this most strongly – 80 per cent in business services, for example, thought there was inequality, compared with 58 per cent in manufacturing.
- **Reasons for inequality.** The most common reasons given for a perceived lack of equal opportunities were male attitudes towards women (37 per cent); fewer opportunities for women in senior positions (33 per cent); difficulties with women returning to work, childcare, flexible working (18 per cent); women's domestic commitments (18 per cent); and the difficulty of women proving themselves in the workplace (14 per cent).
- **Obstacles faced by women.** According to 87 per cent of female directors, women face obstacles not encountered by their male counterparts. These are: responsibilities to children (35 per cent); the need for career breaks (29 per cent); male prejudice (23 per cent); not being taken seriously (21 per cent); lack of childcare (16 per cent); and domestic responsibilities (16 per cent).
- **Obstacles faced personally.** Thirty six per cent of female directors thought they personally had to face obstacles not faced by male colleagues. The obstacles included women having to prove themselves and work harder and the assumption that senior positions should be filled by men.
- **Quotas and targets.** There was widespread opposition by female directors to quotas and, to a lesser extent, targets for the promotion of women. A total of 89 per cent said they would oppose the introduction of quotas in their companies and 69 per cent said they would not want to see targets. Over half gave as the main reason that "selection should be on merit".
- **Action to encourage women.** Not enough is done to encourage women to join and stay in the labour force, according to 67 per cent of female directors. Measures favoured by the women were: retraining after career breaks (82 per cent); flexible working hours (79 per cent); workplace nurseries (77 per cent); career breaks (60 per cent); financial support for private childcare (58 per cent).
- **What companies do now.** Actual practice is in sharp contrast to what female directors say should happen: of those who did not think their companies were too small to provide measures to encourage women, 21 per cent reported that no steps at all were taken. Only 2 per cent of companies provided workplace nurseries and career breaks were available in just 23 per cent of cases.
- **Tax relief on childcare.** There was strong feeling that tax relief should be provided on childcare: 68 per cent strongly agreed with the idea and 17 per cent agreed quite strongly. Of those with children under 16, 81 per cent agreed very strongly and 10 per cent agreed quite strongly.

Survey available from Publications Department, IoD Mountbarrow House, Elizabeth Street, London SW1W 9RB. Price £15

Average earnings rise by over 7%

By David Goodhart

AVERAGE earnings in Britain rose by an underlying rate of more than 7 per cent in January in spite of expectations that they would fall below that level for the first time since the 1960s.

Although a consumer-led recovery in Britain requires real earnings increases to remain high, the country's long-term competitiveness in the European exchange rate mechanism requires average earnings to fall to 5 per cent or below.

For the economy as a whole earnings stagnated in 1991 because of the sharp rise in unemployment.

According to analysts Goldman Sachs, however, average earnings for employed workers in 1991 rose by 7.6 per cent compared with a rise in the taxes and prices index of only 3.6 per cent.

Furthermore, for workers with mortgages, free cash flow in real terms has increased by more than 10 per cent in 1992 thanks to recent cuts in interest rates.

However, the underlying rate of increase in average earnings will fall beneath 7 per cent and could even hit six per cent by the middle of the year, according to Mr Alistair Hatchett of Income Data Services.

Some analysts had expected the 7 per cent level to be breached in January in the light of the new trend for pay settlements to average between four and five per cent, just above the current rate of inflation.

But the underlying rate of increase in average earnings is an annualised figure so still reflects the much higher settlements – eight to ten per cent increases – that were being awarded in early 1991.

The actual December on December increase in average earnings, announced last month, was only 6.6 per cent.

There is relatively little "earnings drift" in the current average earnings figures as bonuses and overtime payments are currently low. Overtime has been constant at about 10m hours per week since February last year.

UK traders demand government compensation for Iraqi debts

By Andrew Jack

SEVERAL companies are demanding compensation from the British government for £150m of Iraqi debts for goods supplied before the invasion of Kuwait.

More than 30 British companies which traded with Iraq before the introduction of sanctions in August 1990 face substantial unpaid bills which have seriously affected their operations.

Many feel bitter that they were encouraged to trade with Iraq by the government in the 1980s, but the government has turned its back on them now difficulties have arisen.

They are also angered by the knowledge that funds held by the Iraqi government in UK banks are estimated to be worth $1.2bn (£706m) and still earning interest which on its own would now be enough to pay their debts.

Mr Omeir Cotran, chairman and managing director of OMC Group, a worsted-fabric manufacturer based in Huddersfield, northern England, says: "We are in a very bad position. We are just surviving, but I am not sure for how much longer."

He has outstanding bills from Iraq for $1.2m, mainly from trade during 1989 and 1990 up to the imposition of sanctions.

Since then, he has had to make 30 of his 70 employees redundant and close one of his two mills in North Yorkshire.

Late last year, his bank scrutinised the company's diminishing cashflows and withdrew its overdraft facility.

OMC traded with private-sector customers. But Iraqi government regulations during the 1980s required payments to be channelled through letters of credit issued against the Rafidain and Rashid banks, both of which are branches of the Iraqi Ministry of Finance in Baghdad.

The company used to underwrite its trade through the UK's Export Credit Guarantee Department (ECGD). When the ECGD stopped offering long-term cover to Iraq during the Iran-Iraq war, OMC simply relied on the letters of credit.

"We thought this was very safe business," says Mr Cotran. "We thought there was no way we would not get our money unless the government went bust."

But while Iraqi customers paid money in advance to the banks which issued the letters of credit, repayments slowed during the late 1980s and ceased as a result of the worldwide freeze on Iraqi assets imposed when the UN imposed sanctions against the Baghdad regime.

Mr Gregori Tchelbakian, founder of Apollo Fashions, a fashionwear company with $2.5m in unpaid bills, says: "It's very frustrating to know that the Iraqi government owns money here accruing interest, while we are suffering."

Mr Saad Jadir, managing director of Dominion (England), an exporter of car parts with $10m in Iraqi unpaid debts, estimates that there are at least 60 companies with debts totalling £150m in a similar position. He has managed to document £50m in detail so far.

He suggests two possible options. One is for the UK government to unfreeze some Iraqi assets on condition that the debts are repaid. The other is for interest on Iraqi deposits still frozen in the UK to be released to pay the debts.

He also offers a third approach: persuading the Bank of England to underwrite lines of credit against the letters of credit issued. He has already held discussions with UK institutions on supporting such an idea.

Appeals to the British government so far have been frustrated by a ceaseless merry-go-round of bureaucratic buck-passing, he says.

"These companies should go to the Bank of England," the Department of Trade and Industry (DTI) said yesterday. "They hold the purse strings."

It added that companies had to make their own commercial decisions about insuring against risks of non-payment. It said while officials and ministers can sometimes "put in a heavy word", no such diplomatic or economic links exist with Iraq, making these tactics impossible.

The Bank of England has a unit created to consider the issue of Iraqi sanctions.

A Bank official said, however: "This is one for the Foreign Office. We are an executive arm. Our unit has no discretion whatever."

The Foreign Office maintains it merely implements the UN-imposed asset freeze, and says there is little indication that the attitude towards Iraq is softening.

"On the situation of British firms, you should ask the DTI or the Bank of England," it said.

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BRITAIN IN BRIEF

Insurers may be forced to refund policies

Up to 20 life insurance companies could be forced by regulators to make refunds to policyholders on the industry's most successful product last year. Lautro, the life industry's watchdog, has set an April deadline for insurance companies to submit all advertising material for scrutiny. Advertising deemed to be misleading will have to be changed, and customers who relied on it will be able to claim compensation. It is the first time that Lautro has ordered such a review.

In particular, Lautro is concerned that investors have been led by sales agents to believe that the policies – so-called single-premium with-profits bonds – are simply a higher yielding version of building society deposit accounts and that they may retrieve their funds in full at any time. In fact, investors can face some delay in withdrawing funds, and interest rates are not guaranteed.

Judge to hear Lloyd's cases

The High Court in London has announced that a single judge will consider more than 700 outstanding writs concerning the conduct and management of business at Lloyd's of London, the international insurance market.

Mr Justice Saville, a commercial court judge, has been allocated all the legal cases concerning Lloyd's of London to in an effort to speed their consideration, according to a High Court statement.

The new approach should result in substantial time and cost savings, according to the High Court statement.

Valuations to be investigated

The Office of Fair Trading (OFT) has launched an investigation into the operation of the property valuations market. The move follows a large number of complaints by members of the public to the OFT and an exchange of letters between the Royal Institute of Chartered Surveyors and the OFT.

The valuation market may contain a sufficient number of anti-competitive practices to justify a reference to the Monopolies and Mergers Commission, the OFT said.

There was substantial evidence that many valuers are appointed to lender's panels in exchange for introducing mortgage customers to landers, the OFT added.

'No threat to' generators

A Labour government would not threaten the future of the two privatised electricity generators, National Power and PowerGen, according to a report published by stockbroker Robert Fleming Securities.

Although Labour had an ostensibly tough policy towards utilities, the broker said, much of this was political rhetoric. Labour had two central policies for the electricity industry – to renationalise the National Grid Company, which owns the electricity network of England and Wales, and protect British Coal, the stockbroker said. But neither policy should significantly affect the generators.

Painting sold to raise cash

Lord Rosebery is disposing of one of the most important paintings in his collection to raise money to repair the family's stately home in Scotland.

The painting, a portrait by Rembrandt of the religious reformer Johannes Uyttenbogaert, is regarded as one of the finest Rembrandts in private hands in the UK and is expected to sell for at least £3m when offered for auction at Sotheby's on July 8. Profits will be used to improve the family's estate.


Detail from the Rembrandt, expected to fetch £3m


Lydia van der Meer

The unkindest cut of all: Mr Hugh Holland, managing director at Bernard Weatherill, the sporting tailor which supplies hunting clothes to the Queen, is feeling the pinch from the recession. The Savile Row tailor has cut prices by up to 30 per cent for suits, coats and shooting jackets to stimulate sales. Speaking at the company's London premsies, Mr Holland (above) said the move had been prompted by a decline in sales of more than 60 per cent. Tough trading conditions had been worsened by uncertainty about the future of hunting, he added.

House sales remain stalled

The revival in the UK housing market which appeared to have started at the beginning of this year has not been sustained and sales and prices are continuing to lag in many parts of the country according to a survey of almost 100 estate agents.

The survey by the Royal Institution of Chartered Surveyors (RICS) said that electoral uncertainty was smothering confidence among potential buyers. Many said that the revival in interest from potential buyers, seen at the start of this year, had failed to translate into higher sales in spite of government attempts to boost sales by removing the stamp duty paid on all sales.

Gas assets gain value

British Gas now owns the second most valuable portfolio of North Sea oil and gas assets, according to the annual league table published by stockbroker County Nat West WoodMac.

Although BP is still top of the league with £7.45bn worth of assets, British Gas has overtaken Royal Dutch Shell and Exxon to advance from 4th to 2nd place, with a portfolio of £4.27bn, the table shows.

Staff cuts hit most companies

A survey by Alfred Marks the recruitment consultants found that 55.4 per cent of companies have made staff cuts in the last two years and only 26.7 per cent reported an increase in staffing levels. Clerical staff have been the hardest hit.

Direct sales for computers

Personal computers in the UK are being sold increasingly through "direct" channels rather than distributors, dealers or other forms of third party intermediary.

The trend mirrors developments in the US where mail order, catalogue selling and telesales are playing an increasing part in the distribution of PCs. According to Romtec, a marketing consultancy, direct sales of PCs in the UK have grown from 12 per cent of total sales in 1990 to 23 per cent at the end of 1991.

Royal silence

Spokesmen at Buckingham Palace, home of the royal family, have refused to comment on speculation that the Duke and Duchess of York may be about to separate.

TECHNOLOGY

Putting a face to a phone

Seeing the people you telephone has moved a step closer this week as two companies prepare to launch videophones for consumer use. BT and Amstrad plan to introduce products, manufactured by GEC-Marconi, in time for Christmas. The likely price tag will be £399.

Until now, most videophone research has been aimed at the business market with advances in videoconferencing spearheading developments. But the new GEC-Marconi videophone can use either traditional analogue systems or the new digital exchanges, the latter making up around 55 per cent of the UK phone network.

The difficulty with the analogue system has been in compressing the amount of information required into the line to produce a clear moving picture and adequate sound quality. But developments in data compression and integrated software have enabled the breakthrough to be made to standards the manufacturer hopes will become the norm for the industry.

The unit contains a three-inch square flip-up screen, which receives colour pictures from a finger-sized camera situated above. It plugs into a normal telephone socket and calls cost the normal rate. The screen and camera can be placed down if not required.

The videophone has a "picture refreshment rate" – the transmission rate of frames per second – of around 10 compared with a television rate of 25. This means that there is a slight time lag on sudden movements – and a tendency to make the image slightly larger than normal. Otherwise the picture is surprisingly clear.

GEC-Marconi says it is developing separate types of unit for Amstrad and BT, although the product will use similar components.

These developments mark the latest stage in an increasingly competitive business with manufacturers racing to open up the market. Earlier this year AT&T announced it was testing an analogue videophone in the US which would retail at around $1,500 (£850).

Christopher Price

Attracted by a taste of freedom

Dave Madden explains why the open systems movement has so many dedicated followers

Britain's Post Office is jumping on the "open systems" bandwagon. It has appointed Hewlett-Packard to supply its equipment, and over the next couple of years intends to install £20m worth of Unix-based systems and software to sit alongside its IBM infrastructure.

The Post Office expects to enjoy big economic benefits from the move – a reduction in capital expenditure, better performance from hardware investments, and great flexibility, not least in delivering new applications to its operating companies.

Three things are especially striking here:

● First, the Post Office has developed an open IT strategy to control the proliferation of Unix systems across the group. The strategy offers technical coherence, without inhibiting the evident enthusiasm for, and deliverability of, Unix-based systems.

● Second, the Post Office has put itself through an exhausting formal procurement process and selected a "single strategic supplier" of open systems hardware. In other words, the Post Office feels more secure in a long-term partnership.

● Third, it has joined a growing body of senior IT users – BT, BP, Boots, Unilever, DHL – in a move which promises to deliver at last the revolutionary potential of IT in business.

The seismic effects on the computer industry itself are well documented, not least in the balance sheets of IBM and the rest of the proprietary world. Their attempts to demonstrate credible open products and marketing strategies prove the strength of the movement.

According to Simon Forge, principal consultant for CSC Index in Paris: "Even a year ago you could still argue that proprietary systems would go on forever. But we are past the hype now. There is no longer a question about the viability of open systems."

Nick Earle, HP's computer systems marketing manager, says the shift was even later. "Suddenly in the last nine months, just enough has come together to make open environments a reality – and businesses are taking advantage of it," he argues.

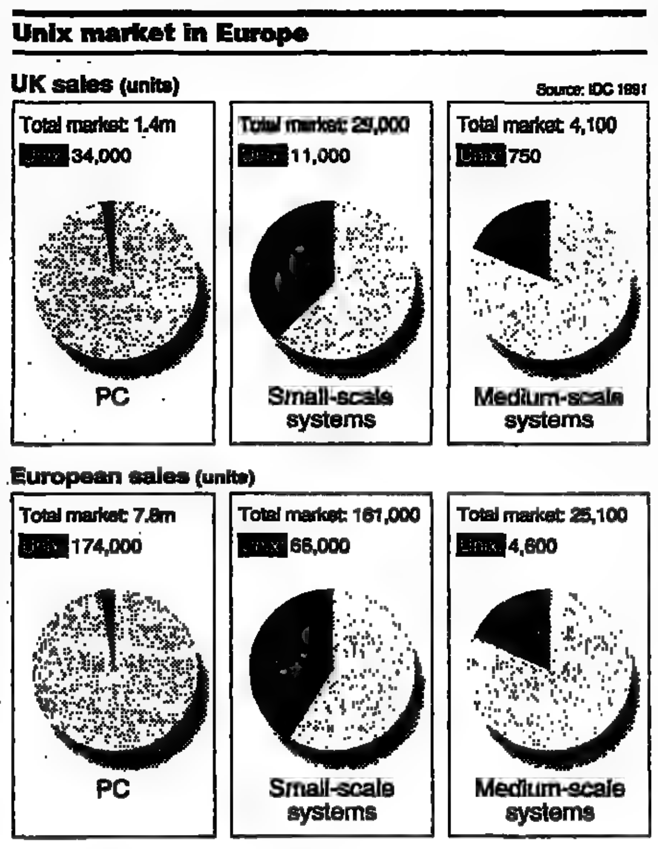
But what exactly defines open systems? At its simplest, open systems implies freedom of movement – for software developers and users alike – in three principal areas: portability, scalability and interoperability. Portability means that you can run the same piece of software on computers from different vendors. Scalability is running that software on machines of different sizes. Interoperability allows diverse hardware software components to work together, typically across a distributed network.

Progress is evident in each of these areas. Improvements in hardware price performance, delivered increasingly by highly parallel architectures or Risc-based processors, give unprecedented scalability. This in turn encourages widespread "downsizing". As Earle points out, applications which were once supported by a multimillion-pound mainframe investment now run happily on processors, or across networks, costing just tens of thousands.

Similarly, there is movement on the standards front. The International Standards process underpins much of this open systems initiative. Public standards (most notably OSI Communications, and Posix, which defines calls between an application and operating system) and industry-based standards (X-Windows, XPG3, and the prospect of only two versions of Unix from the Open Software Foundation and Unix International respectively) are slowly maturing.

But this is only part of the story. Forge detects a new and highly pragmatic attitude to open systems development. It cannot wait for the standards process, he argues. A new consensus is also emerging which articulates open systems as much in terms of basic computing trends – desk-top hardware performance, client-server architectures, complex distributed networks, relational databases and sophisticated graphical user interfaces – as in any formal standards-making process.

As Norman Schofield, partner at PA Consulting argues, these technologies are now "sufficiently capable, cheap and reliable to take the weight of primary responsibility for corporate information". It is their convergence, within the context of open systems, which promises not only to empower end-users, but to make IT a real competitive force, arguably for the first time.



So this is where the real momentum is coming from. Users such as these have finally appreciated that IT is not necessarily the expensive frustration of long experience. Ironically, says John Spires, director of strategic marketing at Oracle, the software developer, if anything business users have "bought into" the open systems concept far beyond what can be delivered.

No doubt the true distributed, integrated computing environment remains a thing of fantasy, but there is enough technology in place, enough precedents, enough demonstrable benefits, to encourage the Post Office and its peers.

Glen Peters, head of Price Waterhouse's open systems group, points to striking economies at his client BP. As the company rolls out its pan-European open systems infrastructure, savings have been made in applications development costs and in the proportional cost of hardware to total IT spend.

Similarly, Paul Livsey, deputy chairman of House of Fraser stores, says the company's open strategy has given it the flexibility to develop new applications at a fraction of their traditional cost. The group now has "a phenomenal basis for competition between suppliers", he says.

Unilever's experience is perhaps the most telling of all. It embraced open systems at the end of 1990, and its goal was to "create an application in one Unilever company and use it in any of the other 499," says Mike Johnson, IT director.

Proprietary computing areas had frustrated the transfer of good ideas. With those barriers broken, Johnson believes that over time the new regime will increase Unilever's basic productivity by "hundreds of millions of pounds".

There are two stumbling blocks on this course, however. First, IT is getting more complicated. In particular, multi-vendor environments throw the onus of technical responsibility back to the users. This is why the Post Office views its partnership with HP as an "insurance policy".

Second, the legacy of proprietary investment. Schofield believes that it is "criminal" for businesses to add to proprietary systems. But moving inherited applications from a proprietary, often mainframe-oriented, environment to a distributed open one represents not just a technical complication but a business risk.

Migration methodologies are emerging to help manage this process, and their common denominator is that an enterprise-wide information architecture – in essence a blueprint for constructing computing and telecommunications applications and systems across the business – is a prerequisite to moving to open systems successfully. Similarly, as is the case at the Post Office and Unilever, the view is that open system strategies must be tested in purely business terms.

Not surprisingly, as Forge notes, the fastest, most determined uptake has been in global businesses – MacDonald's, DHL, Federal Express – where there is an imperative to clone systems quickly. Conversely, where the mainframe data centre is institutionalised – in airline reservations systems, for example – there is less penetration.

Overall, Earle estimates that perhaps 30 per cent of businesses are approaching open systems incrementally – starting with a new application such as a customer service system to prove the concept. The rest, he suggests, are just watching and waiting. But, as Schofield argues, they should not wait too long: "The choice is to be a leader, an early follower, or too late."

Offices follow the factory's example

By Joia Shillingford

Gains in office productivity could rival those achieved in manufacturing if a new approach, known as business process redesign (BPR), succeeds.

The rationale behind BPR is that concepts like Japan's "best manufacturing practice", which uses just-in-time techniques, can be applied to the office as well as the factory.

In manufacturing, physical layout is important because moving materials around can be costly. In the office, delays in dealing with important documents occur because they pass between too many people, departments or offices.

"BPR looks at the targets which the business wants to reach and works backwards to design the processes necessary to achieve them," says Judith Wainwright of the London-based consultancy Pagoda. "It is a way of simplifying the workflow, by reducing the number of stages involved in a procedure."

'BPR looks at the targets which the business wants to reach and works backwards to achieve them'

Western Provident Association (WPA), the UK's third largest health insurer, has made productivity improvements of 38 per cent from BPR. "Processing an application for health insurance used to involve seven staff and take 28 days," says Julian Stainton, managing director. It now takes one person only four days. This includes reviewing the medical history, setting up the policy and arranging to collect the money from the customer's bank account.

In addition, the file was only worked on for 45 minutes during the 28 days (the rest of the time it was in transit). Now it is held on a computer and takes just minutes to be processed.

Like many companies which opt for business process redesign, WPA uses a combination of image processing and workflow software to speed up re-engineered procedures. Image processing involves capturing a complete image of a document (including signatures and graphics) on a computer. Workflow software automatically forwards the document image on to the relevant worker when it is time for the next action to be carried out.

BPR is gaining respect as companies look for new ways of raising productivity and cutting costs. Delegates to a recent conference on the subject attracted companies such as BP, Thomas Cook, Abbey National, Glaxo, and Midland Bank. According to US researchers International Data Corporation (IDC), BPR will be "the next high-growth frontier for information technology service companies," with a compound annual growth rate of 46 per cent a year.

One attraction of BPR is that it makes IT subordinate to business objectives. "The most mature processes take a lot of IT investment to improve, but in most cases 80 per cent of the value of BPR comes out of examining the way things are organised. Only 20 per cent comes from IT," says Paul Chapman, director of business and organisation at the National & Provincial building society.

BPR often evolves out of a "total quality management" initiative. Rank Xerox, a UK pioneer in business process redesign, took TQM as far as it could but found that it still was not meeting customer needs. Rob Walker, Rank Xerox's director of business management systems and quality, started to apply techniques similar to BPR which he had come across in Japan in the 1980s.

As a result, many of the company's processes now take substantially less time. Specialised individual contracts (for customers requiring, say, special payment or leasing terms) take less than two days to process instead of 100.

George Newman, IDC's US director of services research, estimates that the worldwide market for BPR will be worth $2.2bn by 1996. "BPR is the high ground where the expertise of IT supplier, management and consultancies overlap," he says.

FT CONFERENCES

INTERNATIONAL PACKAGING AND THE ENVIRONMENT
London, 23 & 24 March
The conference is held at a time of increasing upheaval for the packaging industry as the impact of environmental legislation begins to bite. Speakers taking part include Mr Clemens Stroetmann, State Secretary at the German Federal Ministry for the Environment, Mr Sverker Martin-Löf of SCA, Dr Hans Rausing of the Tetra Pak Alfa-Laval Group and Mr György Viszkei of the Hungarian Association of Packaging and Materials Handling. A manufacturer's view of redesigning packaging to meet trends in European legislation will be addressed by Dr Graham Gladden of Lever Brothers and Mr Gérard Pré of Nestec. A retailer's response will be given by Mr Michael Samuel of J Sainsbury.

INTERNATIONAL SECURITIES MARKETS: LIMITING MARKET RISK
London, 12 & 13 May
This high-level conference will focus on the multi-lateral attempts to limit market risk, and will provide a broad international perspective of market regulation, how the markets are developing and the management issues of assessing and controlling risk. Speakers include Martin Vile of the Securities and Investments Board, Jean Saint-Geours of the Commission des Operations de Bourse, Geoffrey Fitchew of the Commission of the European Communities, Pen Kent of the Bank of England, Dr Thomas Huertas of Citibank and Jonathan Davie of BZW Equities.

VENTURE SYMPOSIUM 1992
Madrid, 3-5 June
Venture performance in the 1990s will be reviewed at this year's EVCA symposium. A panel of institutional investors will examine venture capital as an asset class, compared with alternative investment options, and discuss the advantages of investing in venture capital as part of a total investment strategy. In addition, the prospects for key industry sectors will be assessed.

COMMERCIAL AVIATION AND AEROSPACE IN EAST AND WEST EUROPE
Berlin, 11 & 12 June
Timed to precede ILA '92 at Berlin Bradenburg, the conference will focus on the opportunities for co-operation and collaboration in the aerospace industry. The implications of political changes, industrial and economic problems, and the opportunities for Western companies to develop new links with the East will be under discussion. The panel of speakers includes Mr Vitaly Yefimov, Russian Minister of Transport, Dr Martin Bangmann of the EEC; Mr Lawrence Clarkson of The Boeing Company, Mr Adam Brown of Airbus Industrie, Mr Jürgen Weber of Lufthansa and Sir Colin Marshall of British Airways.

WORLD GOLD
Montreux, 22 & 23 June
The 1992 meeting will provide a unique forum for producers, traders, bankers and users, to debate current market trends and review the outlook for gold in the 1990s. Expert speakers will debate central bank and investment attitudes to gold, review the short and medium term outlook for the gold price and analyse the challenges facing the mining industry.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323 (24-hour answering service), Telex: 27347 FTCONF G. Fax: 071-925 2125

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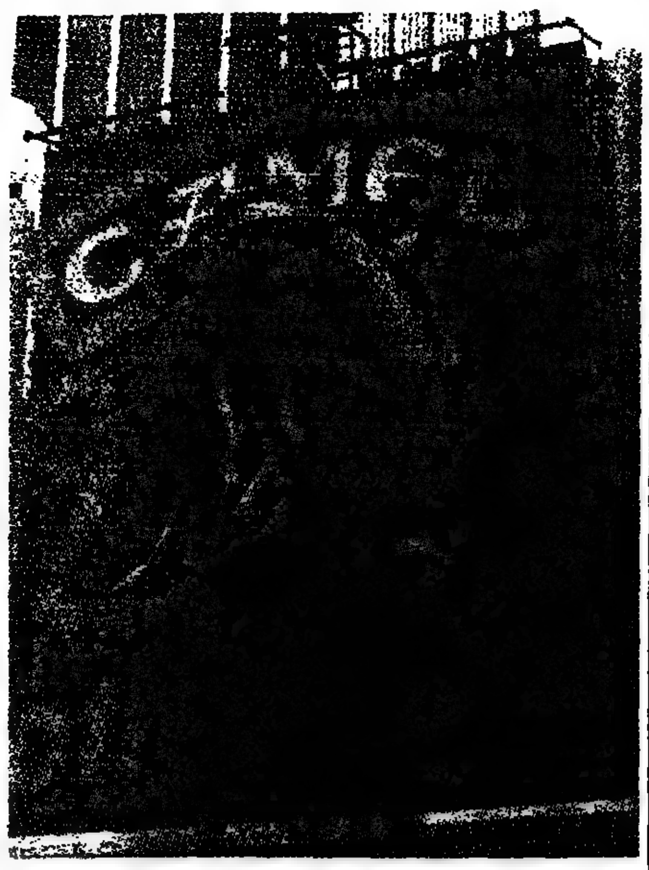
FINANCIAL TIMES

MANAGEMENT: Marketing and Advertising

Old Joe is giving doctors the hump



Old Joe: All lit up high above Times Square, New York

Nikki Tait investigates controversy over Camel

Is Old Joe Camel, the suave cartoon dromedary who has been credited with reviving a cigarette brand, about to become a victim of his own success?

The US medical profession certainly hopes so. It hates him with a vengeance – so much so, that the US Surgeon General called this month for a voluntary withdrawal of all "Old Joe" advertising for Camel cigarettes. Old Joe's problem, according to the medical lobby, is that children like him too much.

The furore says a lot about the tobacco advertising controversy in the US. While Europe flirts with a comprehensive ban on tobacco ads, anti-smoking campaigners on the other side of the Atlantic have settled down to a war of attrition.

In some areas, particularly at state level, there have been well-publicised successes. Californians, for example, voted in 1988 to increase tobacco taxes and devote some of these revenues to anti-smoking promotions, including advertising. More generally, US cigarette consumption has been in steady decline – about 3 per cent a year – a trend which is usually attributed to better publicity of the health issues.

But if there is one area where the industry and the anti-smoking lobbyists still clash with particular passion, it is over promotions which allegedly target "vulnerable" consumers – ethnic groups and adolescents, in particular.

No campaign has been more controversial than "Old Joe". The Camel trademark is owned by R.J. Reynolds, the number two tobacco manufacturer. Like many full-priced brands, it had been losing ground both to aggressive rivals and cheaper cigarettes. According to RJR, Camel's domestic market share in the mid-1980s stood at about 4.4 per cent.

In 1987, however, the company decided to revamp a highly-stylised Camel campaign which was originally devised in France a decade earlier. It had featured a cartoon camel and preached a "smooth character" message.

Soon, Joe with his protruding snout – suspiciously phallic, said the critics – appeared on a massive billboard in New York's Times Square. The cartoon camel began to feature in print ads and on other promotional material. He was seen in the company of other partying camels or in suitably luxurious surroundings. He invariably commanded the scene in cool, macho style.

Last December, the Journal of the American Medical Association (JAMA) published research which suggested that the "Old Joe" ads were widely recognised by children, even those as young as three years old. Moreover, Old Joe was "far more successful at marketing Camel cigarettes to children than adults".

According to JAMA, Joe's influence was evidenced by a sharp rise in the percentage of children who picked Camel as their preferred brand – 32.8 per cent in these new samples, compared with 0.5 per cent in surveys completed before the Old Joe campaign began.

R. J. Reynolds' response was speedy and emphatic. It claimed that its own studies (backed up by Office of Smoking and Health data) showed that 98 per cent of Camel sales went to smokers of 18-plus.

It denied any interest in encouraging "youth" smoking – not least, because of the potential backlash which this could provoke. And it noted that while the "Old Joe" campaign had successfully stabilised Camel's overall market share, it had done little to increase it. But it may not be the only US tobacco company affected by the controversy. Brown & Williamson, which is owned by Britain's BAT Industries, is currently test-marketing two new campaigns for its Kool brand.

The Ohio tests are said to involve traditional "life-style" type advertising, while the Virginia tests centre on Willie, a savvy cartoon penguin. B&W says the Virginia results are "very positive, with the penguin considered an adult symbol". Nevertheless, after Old Joe's bumpy experience, Willie's owners must at least pause for thought.

Nor are tobacco companies the only targets within the Surgeon General's and American Medical Association's sights. Lonnie Bristow, an AMA trustee, concedes that pleas for voluntary withdrawal of the cartoon camel are also aimed at providers of advertising space and at cigarette retailers who use promotional material.

Whether the anti-smoking lobby will prevail is equally debatable. R.J. Reynolds, not surprisingly, denies any backlash and suggests that most space suppliers are firmly wedded to "free speech" principles. Some evidence seems to back this up.

New York Telephone, whose booths house "Old Joe" posters, says that so long as material is legal and in good taste, it would not discriminate against any advertiser.

Meanwhile, out on Manhattan's streets, an unscientific straw poll suggests that, while retailers know all about the "Old Joe" controversy, keeping a business afloat weighs more heavily.

"Ninety per cent of kids can recognise Joe Camel, but how many associate him with cigarettes?" says the man operating a booth on 59th Street. "Educating kids about cigarettes is just not our job," remarked a drugstore manager.

Smoke signals emerge on EC tobacco curbs

The marketing and advertising world has received an unexpected boost from Jacques Delors, the EC president.

In the past, Delors has been associated with threats to impose tight, EC-wide restrictions on many areas of advertising and marketing.

But rather a different message came across at meeting this month between Delors and the European Publishers' Council (EPC), which groups 19 leading newspaper and magazine publishers across Europe.

The most sensitive issue is proposed legislation to ban tobacco advertising throughout the EC.

Health ministers, meeting in May, are expected to reject the plan although the outcome could be different if Britain has a Labour government by then.

Curbs on tobacco promotion were originally expected to be followed a ban on alcohol advertising. Further legislation, threatening the advertising and marketing of financial services, food labelling, motor vehicles, distance selling, data protection and children's toys, has been pending.

But in London, Delors told the EPC: "There is no question of tobacco today, other areas tomorrow ... Tobacco is a special case". Delors added that "subsidiarity will be used more and more, and the EC will intervene less and less".

The British Advertising Association believes that Delors has been persuaded that self-regulation in line with national and cultural differences within the EC member states is preferable to a blanket drive to harmonise legislation throughout the Community.

However, the Association remains cautious. Richard Wade, director general, said: "It will be interesting to see whether the new approach is applied to directives at present being formulated". Among the most important is the directive on data protection, which as it stands could eliminate many of the direct marketing activities currently conducted in the UK.

Gary Mead

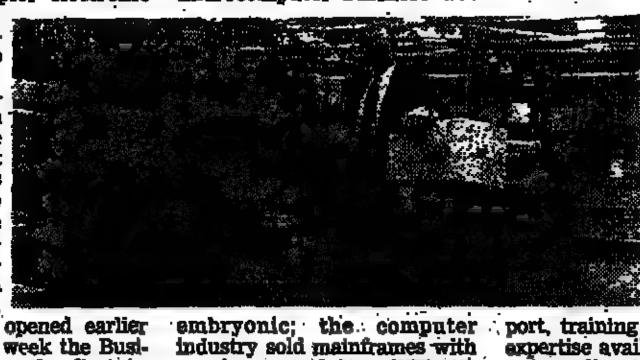
Microcomputer sales revolution in store

Alan Cane looks at a hard-sell approach to software

Would you buy a nuclear power plant from a catalogue or a jet airliner by mail order? No more than you would buy a mainframe computer from a supermarket, you might think.

Yet in less than a decade, microcomputers have increased in power and fallen in cost to the point where machines with several times the power of yesterday's mainframes are being piled high and sold cheap in superstores.

Computers have become commodities and are being marketed like soap powder, cornflakes, or more accurately, like their simpler electronic cousins – audio equipment and video recorders.



The phenomenon began in the US a couple of years ago but the idea has now spread to Europe. The first UK computer superstore, PC World in Croydon, south London, opened earlier this year. Next week the Business Superstore, the first in what is hoped to be a European chain of stores selling office equipment including computer hardware and software, will open in west London. A second is already planned for Colindale, north west London.

Martin Nielsen, Business Superstore chief executive has spent a year researching ways to give the Business Superstores a European look.

CompUSA's store in Dallas, Texas, the first of its chain of more than 20 throughout the US, is typical. A large, low structure on the outskirts of the town, its interior is laid out more like a grocery store than a high technology dealership.

A scattering of red-shirted sales assistants give advice when asked. The aisles are lined with processors, monitors, disk drives and keyboards.

Microcomputer software is piled up like packets of soup. Cardboard boxes full of hardware form impromptu islands amid the sea of electronic goodies. Prices are keen; in some cases up to 80 per cent below manufacturer's suggested retail prices.

Nielsen, a 40-year-old veteran of international retailing, aims for an approach which, he says, respects the technology. The Business Superstore will pay attention to colour, lighting and decor in a way foreign to its US equivalents.

Computer superstores are part of a revolution in the distribution of computing products. Ten years ago, the economics of the full-line manufacturer held sway. The microcomputer business was embryonic; the computer industry sold mainframes with a price tag of $1m (£578,000) upwards and minicomputers costing from $50,000 to $1m. The gross profit margins on sales of such systems were large – at least 70 per cent and sometimes 90 per cent or more.

The computer industry justified such prices by providing customers with a complete before and after-sales service. An information technology strategy might have to be concocted. Special software might have to be written. Training would have to be organised.

Today's microcomputers are as effective as minicomputers, yet cost only a fraction of the price – say, $5,000 compared with $150,000. The gross margin is low – 40 per cent or less. Competition between manufacturers is forcing prices down sharply – between 25 and 40 per cent last year.

Computer manufacturers realised early on that they could not distribute microcomputers economically using their direct sales forces. From the beginning they used distributors, dealers and value added resellers – dealers with the expertise to develop software for their customers.

Now the rapidly declining prices and margins are hacking away at the profitability of distributors and the less sophisticated dealerships. There are two principal options for survival; selling in volume with tiny profit margins, as exemplified by the superstores, or finding ways to add value to the basic hardware through software and systems integration.

There is already a broad set of variations on the superstore theme in the US. An example is the warehouse club which requires customers to be members but which offers a range of products in their original cardboard cartons at exceptionally low prices – profit margins of only a few per cent are typical. There is no sales support, training or technological expertise available.

According to Personal Technology Research, a US marketing company, more than 52 per cent of personal computer sales will go through retailers by 1995.

In 1990, sales of computers and related products through computer superstores reached $1.15bn compared with $700m for warehouse clubs.

CompUSA reckons to be the leading operator of large format computer superstores in the US. Last year it had sales per store ranging from $22m to $80m.

But it is proving a precarious business, with operating income in good years averaging 1 to 2 per cent of sales. In the three years since the company has been trading as CompUSA, it has not made an overall profit.

Business Superstore in the UK hopes to avoid CompUSA's tough financial experience although Nielson accepts that with more than $5m invested to date, it will take time for the business to break even.

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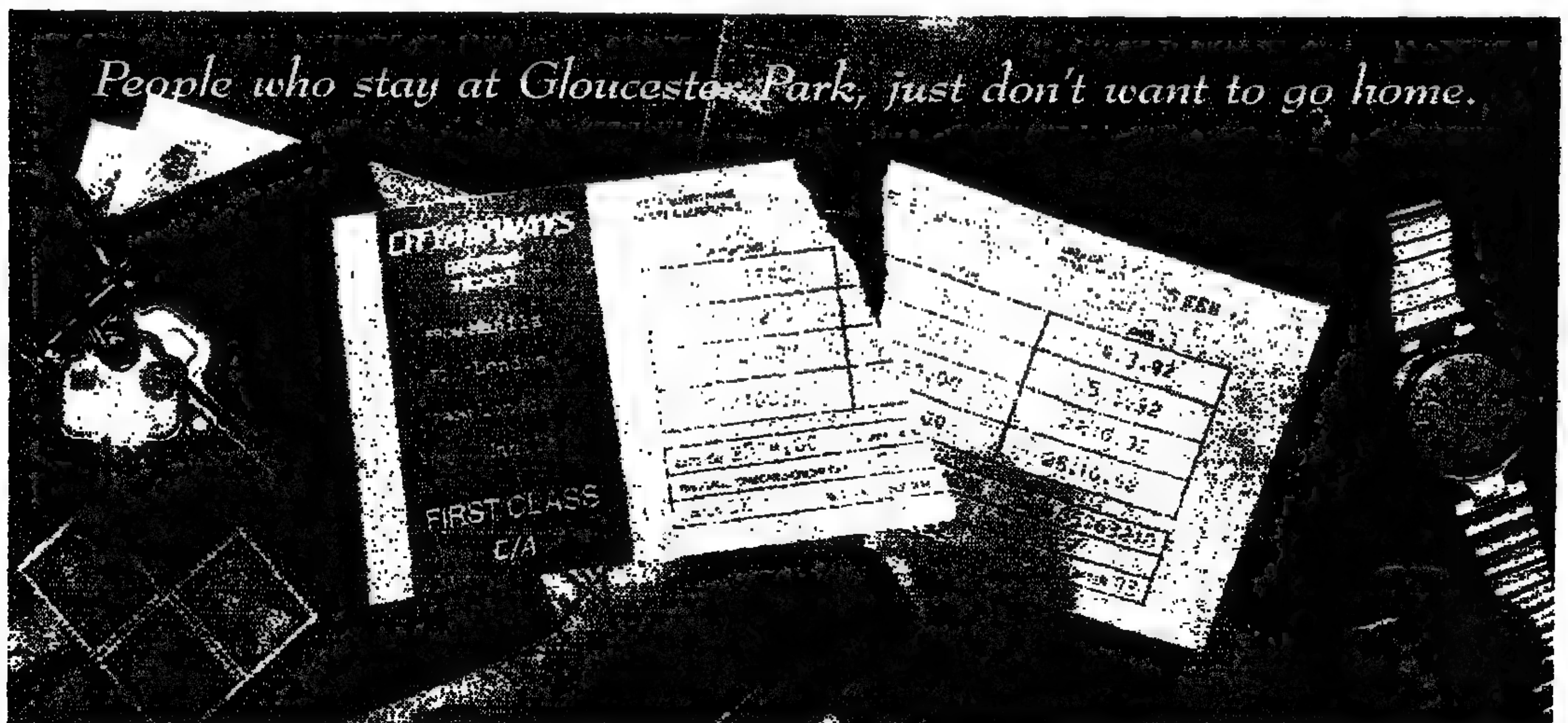

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Moby Dick

PICCADILLY THEATRE

Moby Dick, or Save the Whale as it should be sub-titled, is so extraordinary that you should go and see it at once just in case it fails to catch on. Even if you don't like it, you will hardly regret the experience.

Quite the best thing about it is the staging, which has moments of sheer brilliance and uninhibited fun. The Piccadilly is a largish theatre. The stage for *Moby Dick* has been extended to include what must have been the boxes in the royal and upper circles. Thus the production springs at you from an enveloping semi-circle and does so at three levels: basic stage and the two upper tiers. The fun starts even before the show proper begins. Paper darts are casually launched at the audience from the top reaches of Paul Farnsworth's set.

That is nothing, however, compared with the start of Act 2, by which time the audience has been issued with those glasses that used to go with 3D movies in the 1950s. There is then a spectacular show of small fairies, paper darts and other less identifiable objects winging their way towards you, beyond and back again. It may be no more than a brief theatrical device, but it works like magic.

There are devices galore throughout, including a growing element of suspense. Is the white whale, which so obsesses Captain Ahab, ever going to appear, and how? It does, about 10 minutes before time, but I shall not tell you in what form, save to say that it is a most wonderful coup, mounted even better than the storm that has wracked the stage, and indeed much of the theatre, shortly before.

You may have guessed that this is not quite the *Moby Dick* of the novel. It starts in the girls' academy of St Godley's, which is unashamedly drawn from Ronald Searle's St Trinian's. The school is anarchic to say the least, and is going bust. It decides to put on show in order to raise funds, musical of Herman Melville's book, which gives free ride to the girls' animal spirits, but also produces the spirit of a team.

On first hearing, I had some doubts about the merits of the music by Hereward Kaye and Robert Longden. It does not hang together in the sustained way of the best of Andrew Lloyd Webber. Not all the words of the lyrics are audible. Yet the style becomes catching as the show goes on: the second half is much better than the first and "Save the Whale" at the end had the first night audience stomping.

The undoubted star in a team performance is Tony Monopoly as the headmistress of St Godley's and as Captain Ahab. I'm not sure that all the lines are good enough for him, though "Obsession isn't just a perfume" certainly is. Watch him singing, wearing large earrings, bouffant hair, a dinner jacket, a long pantalon skirt and a huge cricket pad on his right leg in place of the peg. There is a zest in the production that makes up for any deficiencies in the script.

The flair for detail continues even after the show is over. A fleet of red London double-decker buses is waiting outside the theatre to take the girls back to St Godley's.

Cameron Mackintosh, producer and impresario, deserves credit for picking the show up. It was performed, in a different version, at the Camden Jazz Festival in 1983. It has been a long haul to get it right: it is not quite right yet; but nearly.

Malcolm Rutherford

Le Roi d'Ys

BLOOMSBURY

This year's University College Opera presentation is of Lalo's once-famous *Roi d'Ys* (Paris Opéra-Comique, 1888). The choice may have been ambitious – since heavier-than-usual demands are placed on chorus and orchestra – but ambition has been rewarded. A lively, enthusiastic performance brings back to London one of the most stirring and enjoyable of all operas outside the regular repertory.

This attempt at a Breton *Lohengrin* marries Grand Opera trappings to the concision and economy of the smaller-scale French operatic forms.

The tale, based on Breton legend, is threaded with *Lohengrin*-like intrigue and treachery, with secret passion (of Princess Margared for the warrior Mylio) and jealousy (of Margared for her sister Rozenn, Mylio's beloved) – the libretto, not exactly distinguished in tone, is a model of getting-a-move-on. Yet the musical foundation of the opera is its Breton rhythmic pulse and colour, most delightfully experienced in the opening choruses and the Act 3 Wedding Scene (including Mylio's beautiful Aubade). What reads in the libretto as stock melodrama is made elatingly muscular and pointed by the music.

Mike Ashman's production has been brilliantly designed by Bernard Culshaw in terms of primary-colour costume and sliding panel; it works up a remarkable amount of fast-moving spectacle in a small space and on a limited budget. The means are modern, simple; the management of student-choral forces is both daring and canny. The threat of inundation that provides the opera with its finale is suggested with billowing sheets and cloths – an over-familiar device made brand-new by the intelligence of its accomplishment.

Student opera-staging of this imaginatively bold kind is always a special pleasure, especially when underwritten by such committed student-chorus singing (in passable French) and acting. The valiant UCO orchestra's struggles with the complexities of the scoring were less easily concealed. In spite of this the conductor, David Drummond, kept a strong hand on the dramatic unfolding: the mounting excitement of the closing scene was proof of that.

Of the principals, all requiring a peculiarly French combination of power, elegance and sweetness, by far the most stylish was Hilary Western as Rozenn – a lovely performance, accurately and truly sung, from an undervalued soprano. Two young visitors from eastern Europe add to the interest of the casting: the inexperienced but highly promising Russian tenor Alexander Naumenko (charming in Mylio's Aubade) and the forceful but wooden Georgian baritone Irakli Grigalashvili (the villain Karnac). As Margared, the opera's *beau rôle*, the mezzo Jenny Miller released flashes of eloquence and passion whenever a constricted vocal technique permitted. Performances tomorrow and Saturday.

Max Loppert

Annette Bening and Warren Beatty in 'Bugsy'

CINEMA

Sweet-and-sour gangster epic

It is the late afternoon of a gangster's life. A gilded haze drifts around his home; the sun slants into his soul through the holes in his conscience. Bugsy Siegal is about to meet his maker. But who *did* make Bugsy Siegel? According to *Bugsy* the movie, it was a combination of God, Meyer Lansky and the West Coast gambling and showbiz industries. This brilliant sweet-and-sour gangster epic directed by Barry Levinson (*Rain Man*) and written by James Toback (*The Gambler*, *Fingers*) first does the unspeakable – glamorising its hero-villain by casting Warren Beatty as the Brooklyn-born mobster who stole, killed and created that perdition zone called Las Vegas – and then transcends it with the irresistible.

Bugsy Siegel was evil. But he did not rise to evil's heights without charm and self-promotional flair; nor without wearing the best suits and seducing the best women. Ergo: Toback and Levinson see the successful gangster as a not-too-distant cousin to the successful movie star. More, they discovered that Bugsy himself made a screen test soon after being posted to Los Angeles by his New York crime-partners Lansky and "Lucky" Luciano. In the event, Bugsy's experience of stardust was confined to romancing aspiring actress Virginia Hill (Annette Bening) and to persuading the Hollywood famous to buy shares in his Flamingo Hotel.

The building costs of this "folly" in the Nevada desert rose from $1m to $6m, causing Lansky and Luciano to fume and Siegel to seal his own death warrant. He was gunned down on June 20 1947. The hotel went on to become Las Vegas and Las Vegas went on to become the El Dorado of the New West.

The film has a mythical acoustic so potent that we never believe we are watching merely a Siegel bio-pic nor merely a Beatty ego-trip. (The star also co-produced.) It is about both men and all men, and it is about human contradictions. Though Bugsy Siegel is the insect in each of us – that part of ourselves tempted by dark scuttling pathways to self-fulfilment – he was finally undone by building his dreams in broad daylight in a broad desert.

Toback and Levinson confer on the man a bizarre innocence. He is a narcissist who checks his hair in a glass while beating up a fellow gangster; he frets over his screen test while re-running it on a home projector; and he woos his girlfriend with cornball-wistful lines – "I wish the two of us could be alone on Coney Island eating a couple of hot dogs together" – that in another film would be derisory rather than derided.

Photographed in a seductive haze by Allan Daviau, the film is the dream of a man with an etherised conscience. Morally as well as geographically this Bugsy is in Lotusland, where the outward vistas are as unreal as the inner perceptions; from the idyllic painted matte-shot that introduces Hollywood to Siegel and Virginia's first meeting on a soundstage "hilltop".

As in his other nostalgia dramas – *The Natural*, *Avalon* – director Levinson sees the past as a kind of human aquarium, where the drama of survival is so slow-motion that it can be mistaken for lyricism. But *Bugsy* never loses sight of the hidden cruelties. Beatty, whose looks, age and a receding brow have now Nixonised, makes Siegel a charmer who can turn in an instant to brawler or black magician. And Bening is a marvel. Her acid malevolence of voice and odd, tense prettiness – Ida Lupino in a good light, Gloria Grahame in a bad – are both a tinder to Bugsy's evil and a précis of this movie's world. It is a world where that familiar duo the Bad and the Beautiful have progressed from being just good friends to being fast, inextricable lovers.

BUGSY
Barry Levinson

LA BELLE NOISEUSE
Jacques Rivette

SHINING THROUGH
David Seltzer

Jacques Rivette's *La Belle Noiseuse* is a 4-hour French film about an ageing painter (Michel Piccoli). It is directed by a man whose work hitherto has been noted for a few shipshape vessels – *L'Amour Fou*, *Céline And Julie Go Boating* – floating in a Sargasso Sea of interesting wrecks (*Out One*, *Duelle*, *Noiroi*).

Do we tempt you? I thought not. But *La Belle Noiseuse* – roughly "the beautiful nuisance" – is a masterpiece. It takes all the exasperating Rivette traits and makes them riveting. The source is a Balzac story (as in *Out One*). The people do a lot of talking. Art, sex and death are favourite subjects. And a group of round-up the usual suspects French stars, led by Piccoli and Jane Birkin, take up acting space in a weatherbeaten country home that Rivette might be time-sharing with Eric Rohmer.

Piccoli is the artist trying to end a ten-year creative block by painting a new and nubile model (Emmanuelle Béart). The two enact their *corrida* of creativity in a cavernous studio, she forcing his emotions to the surface, he coaxing her body into positions known previously only to the Kama Sutra. Meanwhile, artist's wife Birkin and model's husband David Bursztein pace the Piccoli estate, like anxious spouses waiting for the birth of what they hope (but doubt) is an artistic offspring related to them. The film spends loving minutes – nay, tens of minutes – watching the artist's hand deflower blank sheets and canvases. (In close-up painter Bernard Dufour's hand substitutes for Piccoli's). Often the only sound is a steel pen scratching lines on white paper, interspersed with picador remarks from Piccoli like "When I was young I enjoyed pulling my toys to pieces."

Sado-masochism is clearly part of this artist's game plan. But comical serendipity is just as important. He finally "finds" his subject when Béart makes a stray spontaneous gesture and Piccoli, half drunk with red wine, falls off his stool. As the painting sessions crawl on through their strange eternity – though to us it never feels like one – the girl takes increasing command and the artist becomes her blustering tool, raving about creative "maelstroms" and "hurricanes."

An entire sex war is depicted here, further enriched by Mlle Birkin's outrage that the canvas she once modelled for ("La Belle Noiseuse") is now being effaced and painted over by her faithless spouse. "You've put buttocks in place of my face!" she cries. Was ever marital despair so plainly, pithily imaged forth?

This is a dazzling study in the birth-pains of art and the growing-pains of art's relationship with life and love. The film presents creativity not as some ponderous, uncomprehended sacrament à la Hollywood – Beethoven out in the storm, Van Gogh mystically eyeballing his sunflowers – but as a direct, chaotic extension of daily life, daily need and daily passion.

It would do Melanie Griffith's heroine in *Shining Through* a power of good to sit for M. Piccoli. He would have her clothes off in an instant and she would be writhing on the floor. As it is, the only exercise the overdressed Miss G gets in this daft wartime thriller is to run from Potsdam to Berlin one night in high heels and an opera gown.

Have you ever tried this? It is, I assure you, impossible. But then so is everything else in writer-director David Seltzer's adaptation of a Susan Isaacs best-seller. Griffith plays a humble secretary working for Allied Intelligence (Michael Douglas) in pre-Blitz London. When she offers to smuggle herself into Berlin and pose as a cook for a top Nazi in order to grab vital doodlebug-bomb secrets, how could Douglas refuse? She speaks perfect German and her Apple Strudel, she claims, is a knockout. So off she goes to meet Sir John Gielgud as "Sunflower", our man in back-projected Berlin.

The rest is history; or rather thank goodness it is not and never was. There are hairsbreadth 'scapes, hair-raising scrapes, and herrings and skates. (The heroine hides her messages in a fish shop.) There is also Miss Griffith's voice, that high piping gurgle resembling a cat trapped in a water deposit. With this she delivers the film's voice-over narration which reaches its finest hour when explaining the plot's time scheme. "I knew it was Friday, because the next day was Saturday." By final reel she is staggering past German bullets to the finishing post. But the audience has already left for the bar, totting up its losses.

Nigel Andrews

The Burrow/Manon

SADLER'S WELLS/COVENT GARDEN

It might be wrong to accuse the Birmingham Royal Ballet of corporate schizophrenia, but the company personality underwent a marked change during the triple bill which initiated a season at the Wells on Tuesday. The evening began with David Bintley's *Galanteries*, lately acquired for the repertory. It is a classical conversation-piece, set to two early Mozart scores, in which the dancers exchange academic proprieties in hushed voices. The set and costumes are fuzzy grey; the tone is muted and somehow remote; movement looks polite, numbed. Miyako Yoshida and Sandra Madgwick are advocates for sunnier, larger-scaled things, but mimsiness rules.

Very different the look of the cast after the interval, when MacMillan's *The Burrow* took the stage. I reported on this study in claustrophobic anguish after its revival at the Birmingham Hippodrome last autumn. It projects even more strongly, seems more ridden by terror, on the confines of the Wells stage. And its cast – with memorably good interpretations from Marion Tait as the Woman, Desmond Kelly as the Outcast, Michael O'Hare as the Joker – expose every nerve and every fearful twitch of the psyche in bold movement.

And as the necessary relaxation to end the evening, there is *Elite Syncopations*. The company romp, relax, show-off. A couple of the numbers need to be sharpened but Marion Tait, deliciously mocking, and the extra-sec Joseph Cipolla, are stylish, ideal. The score, under Jonathan Higgins, is no less witty. For the two earlier pieces, Anthony Twiner drew sound performances from the Royal Ballet Sinfonia.

★

Darcey Bussell is making her debuts in *Manon* at Covent Garden this season. In her appearances in other MacMillan ballets – her creation of *Prince of the Pagodas*; as the Woman in *Song of the Earth* are good examples – and in such challenges as Balanchine repertory or traditional 19th century works, she offers a combination of technical grace and a trusting devotion to the choreography which is dazzling to watch. The dance is there, unadorned by anything save the integrity of Miss Bussell's manner and the felicity of her physical command. There is mystery – that mystery we sense in the presence of any prodigally gifted young artist – but it is bewitchingly mixed with an innocence that comes from talent that does not know how to dance badly.

Yet as Manon, in her second performance which I saw on Monday night, her abilities did not seem to reflect the complexities of the character or to engage fully with the role. Of course her dancing was beautiful. Of course she looked ravishing in the first two acts, and piteous in the third (though her wig was a brute). Of course she conveyed the varied lures of true love in a garret and gilded vice in a house of assignation. But her sincerity of temperament made Manon too guileless, too unshadowed in sexuality and feeling. She was not selfish enough. And it must be said that the choreography is best suited to a smaller physique. The swooping, curving images through which MacMillan tells of Manon's charms gain their fullest meaning with a more contained frame – even one more able to suggest the intoxicating, kittenish aspects of the girl's irresistible and fatal allure.

This is, one must remember, a first sketch of a reading; experience, and her own great gifts, will surely show Miss Bussell the way to Manon's ever-changing, ever-fascinating heart. She had the real advantage of Zoltan Solymosi as des Grieux. He is an absolutely secure partner – strong, sensitive – and he made something ardently responsive of the young man's infatuation.

Clement Crisp

BBC Symphony Orchestra

ROYAL FESTIVAL HALL

A favour was inadvertently paid by one orchestra to another at this concert. While the "Towards the Millennium" festival has been marking the decade 1911-20 by performing standard musical works that we could expect to hear anyway, the BBC has really taken the plunge and scheduled a major rarity from the same years – a vast and sprawling tone poem as lavish in its orchestral resources as it is ambitious in scope.

This was *Zrání* ("Ripening") by Josef Suk. Written in 1912-17, the work is in every way a child of the decade into which it was born. There is an extravagance in the materials used, a lack of discipline about the musical logic, that was typical of the dying embers of romanticism, before war and a new order snuffed out any last flickering desire on the part of composers to write big orchestral works of this kind more or less for good.

In its layout, and often in sound too, *Zrání* comes across as a less memorable version of Strauss's *Also sprach Zarathustra*. A poem by Antonín Sova provides a vague programme; the musical structure is described as fluid (or, to put it less kindly, diffuse). Out of seductive clouds of texture a distinct musical idea will from time to time emerge into the foreground; but as soon as one starts to get a hold on it, it is gone and the listener is left again with an indeterminate wash of sound.

So as not to seem entirely ungrateful, it should be stated clearly that those sounds are sometimes beautiful, sometimes formidable, always imaginative. Suk clearly knew how to write for a vast orchestra on a Straussian or Mahlerian scale, replete with seven extra trumpets, piano, celesta and just about as many as possible of everything else. The BBC Symphony Orchestra under Andrew Davis is to be commended for taking up so adventurous a challenge and one imagines that they made a thoroughly professional job of it.

They certainly had of the earlier items in this all-Czech programme. Janáček's Sinfonietta was decisively played, bold, rhythmical, assertive. Dvořák's Cello Concerto went with an unproblematical easy lyricism. The soloist in the latter was Heinrich Schiff, whose ability to make any piece of music turn inwards upon itself unlocked in this familiar concerto a private inner sanctum rarely revealed. There is still much in Czech music to explore as the millennium approaches.

Richard Fairman

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ BERLIN

Schauspielhaus 20.00 Carlo Maria Giulini conducts the Berlin Philharmonic in music by Mozart and Mahler. Tomorrow and Fri: Günter Neuhold conducts the Berlin Symphony Orchestra in symphonies by Brahms and Mozart, plus Bernstein's Halil. Sun: Haydn programme with the Berlin Radio Orchestra (East Berlin 2090 2156)
Philharmonie Kammermusiksaal 20.00 Members of the Chamber Orchestra of Europe play chamber music by Schoenberg, Elliott Carter and Nancarrow. Sun at 16.00: Kent Nagano conducts the COE in music by Wagner, Mahler and Schoenberg (West Berlin 254890). Tomorrow in Czechoslovak Cultural Centre: song recital by Magdalena Hajossyova and Peter Mikulas (East Berlin 208 2562)
Deutsche Oper 19.30 Peter Schneider conducts Günter Krämer's production of Die Entführung aus dem Serail, with Luba Orgonasova as Konstanze and Matti Salminen as Osmin, also Sun. Tomorrow: Lucia di Lammermoor with Lucia Aliberti and Alfredo Kraus. Sat: Le nozze di Figaro (West Berlin 3410 249)
Staatsoper unter den Linden 20.00 Christoph von Dohnanyi conducts the Berlin Staatskapelle in Schubert's Eighth Symphony and Dvořák's Ninth, repeated tomorrow. Sat: Michael Gielen conducts Pelléas et Mélisande. Sun: Iphigénie en Aulide (East Berlin 2004 762)

■ CHICAGO

Orchestra Hall 20.00 Daniel Barenboim conducts the Chicago Symphony Orchestra in Beethoven's Fifth Piano Concerto (soloist Evgeny Kissin) and Corigliano's First Symphony, repeated tomorrow afternoon and Sat evening. Tomorrow evening: Jessye Norman song recital. Sun afternoon: John Adams conducts the St Paul Chamber Orchestra (435 6666)

■ GENEVA

Grand Théâtre 20.00 Lieder recital by Robert Holl, accompanied by Andras Schiff. Sat: Cosi fan tutte (212311)

■ LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts the Gewandhaus Orchestra in an all-Strauss programme, with Julia Varady soloist in the Four Last Songs (7132 252). Tomorrow in the Opernhaus: La bohème. Sat: song recital by Simon Estes (7168 273)

■ LONDON

DANCE
Covent Garden 19.30 Royal Ballet presents the world premiere of Kenneth MacMillan's The Judas Tree, with Irek Mukhamedov and Viviana Durante, music by Brian Elias, as part of a triple bill with two Balanchine choreographies. Repeated tomorrow, Mon and Tues. Sat: Britten's Death in Venice (071-240 1066)
Sadler's Wells 19.30 Birmingham Royal Ballet in Peter Wright's production of Giselle. Also tomorrow, Sat afternoon and evening, plus next Mon. BRB London season continues till March 28 (071-278 8916)
THEATRE
● Heartbreak House: Vanessa Redgrave, Paul Scofield and Imogen Stubbs star in G B Shaw's classic, directed by Trevor Nunn. Opens tonight (Haymarket 071-930 8800).
● Some Like It Hot: Tommy Steele returns to the West End to direct and star in this musical version of the classic Billy Wilder film. Cross-dressing is the order of the day as two male musicians on the run from the Chicago mob find work with an all-female troupe. Opens tonight (Prince Edward 071-734 8951).
● Uncle Vanya: Ian McKellen and Antony Sher star in the National Theatre's subtle studio production of Chekhov, directed by Sean Mathias (tomorrow and Sat, also Mon to Thurs next week). The NT repertoire also includes The Wind in the Willows (final performances this weekend) and Alan Bennett's The Madness of George III starring Nigel Hawthorne (071-928 2252).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962
OPERA/CONCERTS
Coliseum 19.30 James Holmes conducts David Pountney's ENO production of Kurt Weill's Street Scene. Tomorrow: Il barbiere di Siviglia. Sat: Monteverdi's Orfeo (071-836 3161)
Barbican 19.45 Jeffrey Tate conducts the London Symphony Orchestra in Elgar's Froissart overture, Rakhmaninov's First Piano Concerto (soloist Peter Donohoe) and Sibelius' Second Symphony. Tomorrow: Andrew Davis conducts the BBCSO. Sat: Hans Vonk conducts the ECO (071-638 8891)
Royal Festival Hall 19.30 Ralph McTell in concert. Tomorrow: Christopher Parkening plays Rodrigo's Concierto de Aranjuez with the RPO conducted by Andrew Litton. Sat: London Bach Orchestra. Sun: Andras Schiff (071-928 8800)
Queen Elizabeth Hall 19.45 Leon Lovett conducts choral music by Puccini and Fauré. Sat and Sun: the Brahms Experience, with Roger Norrington, the London Classical Players and the Schutz Choir (071-928 8800)

■ NEW YORK

Carnegie Hall 20.00 Klaus Tennstedt conducts the London Philharmonic Orchestra in Beethoven's Fifth and Sixth Symphonies. Sat: Mark Ermler conducts the Moscow Philharmonic. Sun: New York City Gay Men's Chorus pays a musical tribute to Bernstein (247 7800)
Metropolitan Opera 19.00 Don Carlo, with Aprile Millo, Bruno Beccaria, Samuel Ramey and John Tomlinson. Tomorrow: Parsifal. Sat: Rigoletto (362 6000)
State Theater 20.00 St Petersburg National Opera in Tchaikovsky's Queen of Spades, also tomorrow. Sat afternoon and evening: Boris Godunov. Sun afternoon and evening: Rimsky-Korsakov's Golden Cockerel. Season runs till April 5 (307 4100)

■ PARIS

Opéra Bastille 20.30 Opening concert of a three-day festival in the Bastille Amphitheatre and Studio, focusing on the British composer George Benjamin. Tonight's concert of music by Benjamin, Birtwistle, Benedict Mason, Tristan Murail and Luca Francesconi is played by the London Sinfonietta. The festival continues tomorrow and Sat with lunchtime and evening events. Tomorrow in main theatre: Elektra (4001 1616). Tomorrow in Châtelet: Lorin Maazel conducts the Ensemble InterContemporain in a programme of 20th century American music (4028 2840)

■ ROME

Teatro Olimpico 21.00 Kronos Quartet (323 4890)
Teatro dell'Opera 20.30 Will Humburg conducts Adolf Hohenstein's production of Tosca, with Giovanna Casolla, Kristian Johansson and Silvano Carroli. Runs till March 29, with next performance on Sun. Sat: La Gioconda (488 3641)

■ STOCKHOLM

Konserthuset 19.30 Paavo Berglund conducts the Stockholm Philharmonic Orchestra in Kokkonen's Fourth Symphony, Grieg's Piano Concerto (soloist Leif Ove Andsnes) and Nielsen's Sixth Symphony, repeated tomorrow (244130). Tomorrow in Berwaldhallen: Heinz Holliger conducts the Swedish Radio Symphony Orchestra in music by Spohr, Klaus Huber and B A Zimmermann. Sat afternoon: Alexander Schneider conducts music for strings by Mozart and Stravinsky (784 1800)
Royal Opera 19.00 Johannes Fritzsch conducts Knut Hendriksen's production of Le nozze di Figaro, sung in Swedish. Sat: Siegfried Köhler conducts first night of August Everding's new production of Arabella (248240)

■ VIENNA

Staatsoper 19.00 Bruno Weil conducts Die Entführung aus dem Serail, with Cheryl Studer, Laurence Dale and Heinz Zednik. Tomorrow: L'elisir d'amore with Pavarotti. Sat: Der Rosenkavalier. Sun: Aida (51444 2960)
Musikverein 19.30 Salzburg Soloists, with piano soloist Alexander Jenner, play chamber music by Beethoven. Tomorrow: Emerson String Quartet. Sat: Hilliard Ensemble in medieval Spanish music. Sun at 11.00: Muti conducts the first of the Vienna Philharmonic's 150th anniversary concerts (505 8190)
Konzerthaus 19.30 Katia and Marielle Labeque play music for two pianos by Albeniz, Ravel and Infante. Tomorrow: Ivan Fischer conducts Mahler's Second Symphony. Sat and Sun: the Labeque Sisters play Martinu's Concerto for two pianos with the Vienna Symphony Orchestra (7121211).

European Cable and Satellite Business TV
(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0800-0830 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Thursday March 19 1992

After apartheid

PRESIDENT F W de Klerk has won the referendum. Now his troubles begin. In the most momentous decision in their 400 year history, white South Africans have shown they accept that minority rule can no longer be sustained.

Yet it is too soon to enjoy the luxury of excessive hope, and the world must now find ways of assisting South Africa to consolidate its transition to a post-apartheid society. The perils that lie ahead remain daunting. A third of voters opposed reform and opted for the fantasy of apartheid. The danger of violence from these right-wing extremists has never been greater. They have many supporters within the ranks of the police and the army. Their last constitutional opportunity to resist political reform has been resoundingly lost.

The government has emerged from the referendum better equipped to cope with this threat. The significance of Mr de Klerk's victory goes beyond the mandate for negotiations that will end white rule. A new alliance between Afrikaans- and English-speaking whites has been forged, bringing the liberal Democratic party and the ruling National party together in pursuit of a common goal. If he is to disarm extremists of the left and the right, as sooner or later he must, the president can now claim strong political backing.

Painful process

It has been a painful process. White South Africa inflicted much suffering before bowing to the inevitable. The impact of sanctions, the fear of isolation and of spiralling violence – all added up to overwhelming pressure to abandon apartheid.

Had Mr de Klerk's gamble failed, internal conflict would have been inevitable. An unstable South Africa would have jeopardised the fragile peace process in Angola and Mozambique. The region's worst drought in living memory would have claimed many lives in the absence of secure access to South Africa's ports and railways, needed to import the maize required to prevent starvation.

That nightmare is over. The way is open for the early installation of a multi-racial interim government, based on principles already agreed by the 19 organisations attending the Convention for a Democratic South Africa (Codesa). This should cement an alliance between Mr de Klerk and the African National Congress president, Mr Nelson Mandela, the two men who hold South Africa's future in their hands.

Negotiating skill

But Mr de Klerk still needs all the help he can get. The ANC may be the Nationalists' most promising partner, but not all of its leaders are natural democrats. Its links with the South African Communist party persist. Maintaining human rights and a private enterprise economy will require great negotiating skill and a huge amount of luck. As yesterday's budget shows, South Africa's economy is depressed. There is no chance of meeting rising black expectations and assuaging white extremists' fears within existing financial resources.

So there are many potential pitfalls ahead. The new South Africa deserves substantial assistance to help it redress the legacies of apartheid, and boost an economy sapped by the need to run a balance of payments surplus in order to service its external debt. It should have access to International Monetary Fund facilities, and recourse to the World Bank and other lending agencies. The sooner the outside world ensures that these resources are made available, the better the prospects for a democratic South Africa.

Manifesto to manifesto

THE Conservative manifesto published yesterday is twice the length and twice the price of Labour's. This does not mean it is twice as good, although Mr Major's programme contains more novelties than Mr Kinnock's.

Whereas Labour's document is the umpteenth in a series which began with the watershed policy review in 1987, Mr Major's is the work of a team which achieved power suddenly and has never quite had time to think through what it stands for.

With Labour, the game is to study the passage in successive documents on, say, energy, and then to try to work out whether a change in wording represents a policy shift or just word processor blindness. Because Labour has been in opposition so long, all we have to go on is its language, which all too often buckles under the strain of scrutiny.

It is fitting that the Tory document should have on its cover a picture of the prime minister. This really is the book of the man: level-headed and clear about the central principles of individual choice and market forces, supplemented by a commitment to better public services. The challenge of Mr Major's second administration, if there is to be one, will be to reconcile these two themes. In this document, that reconciliation is not achieved.

The strongest parts of the manifesto are those Mr Major inherited from Mrs Thatcher and upon which he has built: increased competition in public utilities, privatisation, performance-raising new structures in health and a genuine commitment to the minimum necessary regulation of enterprise.

Its line on Europe is Thatcherism modified more in style than substance: no to the social charter, but yes to a community of 22 by the end of the decade, and an open-ish mind on monetary union.

Vague targets

Like his predecessor, Mr Major favours lower taxes; unlike her, he is prepared to tilt that policy in favour of the lower paid. His targets for balanced budgets and reduced public spending are vague.

But it is in wrestling with the public sector and regulating the lives of citizens that the new approach emerges.

This is a world of badge-wearing civil servants; inspectors for everything that moves, from social workers to firemen; task forces on truancy and empty government property; a new Urban Regeneration Agency and an Environment Agency; even a Hedgerow Incentive Scheme.

Proud reference is made to the Safer Cities programme and its "124 schemes to improve street lighting". Who said this was a government that had run out of ideas? It has ideas on elephants, battery hens, joy riders, caravan sites and even on the millennium, which is to have its very own fund, paid for by a lottery.

Nanny state

What shall we name this vision? Surely it is none other than the nanny state, wearing a smart blue pinafore. There she beckons, as through every chartered street we go.

The central problem is that these Christmas stockings full of policies and quangos, some good, some bad, hang from a tree of centralised government, which is wilting under the burden. The Tories are so opposed to constitutional reform, strong local government or even lucid debate on the democratic accountability of public services, that such issues are nowhere addressed.

Instead of a city-wide government, London is to be supervised by a minister of London public transport and a cabinet committee chaired by the environment secretary.

Labour, to its credit, is thinking its way through this inescapable agenda of governance, proposing substantial decentralisation and reform, albeit with gaps and self-contradictions.

The worry with Labour's manifesto is the old one. On markets, the party talks the talk, but will it walk the walk? Government is there "to ensure that the market works properly". But Labour will renationalise the electricity grid, block competitive tendering in the NHS and local authorities, introduce a minimum wage, cut coal imports. It wants a National Investment Bank, but one "operating on strictly commercial lines", in which case, it must be inquired: what's the point? At heart, Labour still believes that enhanced performance can be delivered at least as well by administrative fiat as by competitive forces.

There are, of course, also policy overlaps and common blind spots. Both parties want a broadcasting and arts ministry and neither has a credible plan to revive the rental market in housing. But, taken with their sharply differing views on personal taxation, these two manifestos confirm that Britain faces a choice. It lies between parties which are distinctive from each other, but neither of which has a monopoly of good sense.

South Africa's 'yes' marks a political point of no return, says **Patti Waldmeir**

The gamble pays off

After 40 years caught in the time-warp of apartheid, South African whites have finally opted to join the modern world. Within months, the white government will have abandoned the exclusive hegemony of centuries, and blacks will enjoy political power for the first time.

For yesterday's unequivocal "yes" vote for political reform takes the country past a point of no return on the road to multi-racial democracy. President F W de Klerk declared yesterday: "Today is the real birthday of the new South African nation. We have closed the book on apartheid."

Mr de Klerk – who gambled his political future on Tuesday's whites-only referendum – could not have been more delighted at a vote which was both surprisingly large and overwhelmingly positive (and came on his 56th birthday). Defeat in the referendum would have been a disaster for the National party, and for South Africa. Instead, the landslide win will propel the country towards early agreement on a multi-racial interim government, and the international acceptability that such a move will bring.

The breadth of support for Mr de Klerk – from rural Afrikaner communities to urban English-speakers – will have surprised even the most sanguine party official. Only hours before the poll, National party organisers were predicting at best a 55 per cent "yes" majority, well below the eventual 68.7 per cent victory. In the end, only one of the country's 15 regions voted "no": the northern Transvaal, the last refuge of the ultra-right, where border farmers have fought for years against real or threatened terrorist incursions, where drought and poverty have radicalised whites.

But even in more liberal areas, informal exit polls suggest that relatively few "yes" voters were inspired by the glorious vision of racial justice and equality proclaimed so eloquently by Mr de Klerk in his victory press conference. Many voted for largely negative reasons: to prevent the white supremacist Conservative party (CP) from taking power, and to stave off the race war and economic collapse which a CP victory would almost certainly have brought. But they voted "yes" all the same: as Mr de Klerk put it, they "rose above themselves". Now he can claim their mandate to force the pace in constitutional negotiations with the African National Congress (ANC) and other non-white political groups in the multi-party forum, the Convention for a Democratic South Africa (Codesa).

The outlines of a deal have been sketched in already during bilateral talks between the ANC and the government. An interim executive could be appointed by Codesa as early as June, with committees to oversee the security forces, local government, the budget and foreign affairs, as well as independent commissions to control broadcast media and multi-party elections.

Within a year from then, elections would be held to a unicameral legislature which would both replace the current parliament and draw up a new constitution. This represents a significant concession by the Nationalists, who have always insisted on a second chamber, a sort of "house of minorities", to protect whites. Such a legislature would meet the ANC's main demand: that an elected constituent assembly draw up a post-apartheid constitution, with decisions taken by a two-thirds majority.

Victory: de Klerk says 'we have closed the book on apartheid'

This body would sit for about a year until elections were held under a new constitution which would enforce power-sharing for a further five years. The new parliament would be bicameral, with disproportionately large representation in the upper house for minority political parties, apportioned by region. And, crucially, many powers would be devolved from central government to the regions. For this is the key to the National party's plan for preventing black domination: the ANC could dominate central government, but many of its powers would have been removed. In several regions, whites would continue to have a large say in areas such as education and fiscal policy.

The plan could change – especially if the big "yes" vote inspires Mr de Klerk to take a tougher line in Codesa on the ground that he can strike a harder bargain backed by such a large majority of whites. Conversely, the ANC might decide to be tougher, now that Mr de Klerk can no longer raise the bogey of the right wing to force concessions from it on minority rights. Either way, an interim government should be quickly in place.

Many "yes" voters are likely to be dismayed when the outlines of the draft constitutional settlement emerge in public. For the referendum campaign focused largely on other issues: the threat that CP policies would provoke international sanctions, and keep South Africans out of world sporting events; the spectre of socialism from the ANC. They knew they were voting for reform – but not at the breakneck speed now likely from Codesa. Unless the proposed constitutional deal is substantially altered in weeks to come, Mr de Klerk will be left with no choice but to reverse some referendum promises. Voters may feel betrayed, but with no further referendum planned to seek their approval for a final constitution, they will have little chance to show it.

Herein lies the risk that the ultra-right – left with no legal outlet for opposition after yesterday's resounding defeat – will turn to violence. For the future of the newly united right must be tenuous at best. The Conservative party may struggle on for weeks or months making a show of unity where none truly exists. But eventually, the young moderates who argue for a more pragmatic form of "self-determination" – and who might eventually settle for strong regional autonomy rather than a geographical homeland – must either hijack the party or break away from it. The radical rump, along with the paramilitary Afrikaner Resistance Movement (AWB), can be expected to destabilise negotiations with bombs or bullets.

The risk of radicalism from the left is equally worrisome: as referendum results were being announced yesterday in a government office building in Cape Town, thousands of ANC supporters demonstrated noisily outside. They were not objecting to the referendum – indeed, the ANC did all it could to ensure a "yes" vote, clearly terrified of the prospect of negotiating with the racists of the CP. They were protesting against the national budget presented yesterday by Finance Minister Mr Barend du Plessis. The hammer and sickle of the South African Communist party was much in evidence, and posters demanded "jobs for all".

The demonstration illustrated the point often forgotten during the whirlwind referendum campaign: that successful political transition will be difficult against the background of South Africa's chronic unemployment (as many as 55 per cent of blacks are estimated to be unemployed) and three-year recession. For Mr de Klerk must now turn away from the sideshow of white politics and tackle the country's biggest problem: the economy.

Recent figures from the South African Reserve Bank, the central bank, highlight the problem: real gross national product per capita has fallen from R3,905 (£781) in 1981 to only R3,275 last year. Unemployment continues to rise, the distribution of income is seriously skewed, inflation is in double figures, skills are short and labour and capital productivity low.

For while business yesterday welcomed the referendum outcome – which could lead to the lifting of further international sanctions, with some nations likely to argue even for the lifting of the United Nations oil embargo – they know that only new investment can rescue South Africa's economy. And though Mr de Klerk promised, during the election campaign, that a landslide "yes" vote would bring new foreign investment, he must have known that to be an unlikely prospect. Foreigners have not failed to invest because they feared the right-wing threat which has now been defused: they fear the ANC and the socialist bent of its economic policies.

The ANC is due to hold an economic policy conference next month, at which the vexed issue of nationalisation will be debated. Though Mr Nelson Mandela, ANC president, has recently said he is reconsidering the issue, it remains immensely popular with the ANC rank and file, and with other ANC leaders.

Politics has no answer for the problems of South Africa's economy. That is where the real battle will be joined between white and black: over the economic legacy of apartheid, over how to guarantee the prosperity Mr de Klerk has promised to all his constituents in the new South Africa.

BOOK REVIEW

Germany comes home

THE GERMANS: WHO ARE THEY NOW?
By Alan Watson
Methuen, £17.99

TOMORROW BELONGS TO ME
By Peter Millar
Bloomsbury, £17.99

THE ECONOMY OF UNITED GERMANY
By W R Smyser
St Martin's Press/Christopher Hurst. (no price indicated)

A larger Germany has become of larger interest to its neighbours. The rest of Europe is now well aware that events in united Germany have a crucial influence on a continent in transition. At the same time, it is apparent that, in its efforts to make a success of unity, Germany faces a task of epic proportions.

Germany may well be on the way towards strengthening its financial and industrial dominance, as well as achieving new political sway too. But the sheer psychological, as well as economic, challenge of integrating the two parts of a two-tier nation is considerably greater than optimists like Chancellor Helmut Kohl believed 18 months ago.

For all these reasons, books on Germany are a welcome addition to reading lists. These three diverse volumes share a common merit: they set out the material in a way likely to appeal both to casual and specialist students.

Watson, a broadcaster and businessman, examines German history, culture and geography with sympathetic rigour. His book, which grew out of the recent four-part Channel 4 documentary on Germany, suffers from an inevitable drawback: its somewhat stilted prose reads like something meant to be spoken in front of a camera. Yet perhaps this is no bad thing. Watson strips Germany down to its basic parts – Heimat and Hitler, Congress of Vienna and Catholic church, Deutsche Bank and Daimler-Benz – and reassembles the components before the TV lens.

No stone has been left unturned, in both east and west, to track down interviewees, from the Bundeswehr serviceman who opposes conscription, to Mr Helmut Schlesinger, the president of the Bundesbank, who admits a little too readily that his institution would only sanction the creation of a European central bank if it were "almost exactly" a copy of the Bundesbank itself. The result is a very thorough anatomy, ending with the optimistic conclusion that the united Germans have now at last "come home" in Europe – for the good of the whole continent.

Millar's book is also a very visual narrative, in a wholly different – and highly original – manner. A journalist who first lived in East Berlin when working for Reuters in 1981, Millar has assembled a fascinating cast of real Berliners who compellingly relate stories of their own lives – and of Germany.

The tale starts in Millar's favourite East Berlin haunt, a agreeably melancholic bar which forms a beery meeting point for disgruntled locals. And the story keeps returning there throughout a series of meandering episodes leading to Millar's own escapades in East Berlin during East Germany's ill-starred 40th birthday celebrations in October 1989, when the Wall was breached a month later.

Millar's incursions into contemporary politics can sometimes be injudicious. But, in a book which brings together a sharp eye for incongruous detail with the racy flair of a novel, Millar convincingly sums up the bitter-sweet atmosphere of East German life, shabby but somehow secure, before and during the fall of communism. Through the rotating prism of the beer glasses in the Metzer Eck pub, Millar shows the excitement, frustrations and pathos of his Berlin friends – and discovers the emotions running through a nation embarked on an unexpected adventure.

Smyser's book focuses on the same adventure, illuminated this time entirely through the economic eye-glass. This is one of the first manuals on the economy of united Germany, and it presents all the facts and figures – most of them up-to-date – that are necessary to examine the outlook for business and finance.

Smyser, a Washington-based analyst, has no literary pretensions; there is something curiously mechanistic about the sentence: "Although Karl Marx was a German, many modern west Germans have departed radically from Marxist thinking." Smyser's view of Germany is occasionally rather too obviously that of the well-informed but distant outsider.

The book, however, rates a place on the shelf of any businessman trying to come to grips with Mitbestimmung (co-determination), German social security regulations or the Treuhand.

Smyser also pinpoints a dilemma which appears bound to become more acute in coming years – Germany's struggle to decide on its priorities towards eastern and western Europe. The Germans, he writes, must decide how they wish to "shape" Europe. Neither he nor anyone else expects any very clear answers – one eminently good reason why books on Germany will continue to flow freely off the publishers' production lines.

David Marsh

OBSERVER

Kings and roundabouts

■ "All happy families resemble one another, but each unhappy family is unhappy in its own way." Whether or not Tolstoy's famous words are true universally, the present unhappy outlook for Britain's Royals contrasts with the prospects for royal families elsewhere.

Whereas the matrimonal troubles of Prince Andrew and Prince Charles are dragging down public esteem for the British monarchy, in other countries monarchy is making a comeback.

The best example is Spain where King Juan Carlos, since taking the re-instituted throne in 1975, has won wide admiration, particularly for his firm stand against the attempted coup 11 years ago.

But in Brazil, too, support for a monarchy is growing with the approach of next year's plebiscite on constitutional change. Although the main argument is currently between parliamentarians and presidentialists, two sizeable groups are pressing for the return of a king from the Braganca family. The last one, Dom Pedro II, was deposed in 1889.

Alas, perhaps typically, the two factions cannot so far agree on which of his descendants to promote.

Moreover, in Belgrade, 50,000 demonstrators recently took to the streets calling for Serbia's monarchy to replace president Slobodan Milosevic. Similar calls have been heard in the republic of Georgia. And as for elsewhere...who knows, before much longer even the Romanovs may be preferred to Boris Yeltsin.

PvC peels off

■ Whatever Cable and Wireless may pretend, the loss of Peter van Cuylenburg is a blow. Undoubtedly, PvC's job as group director in charge of C&W's OECD businesses will

"Nanny will get custody of the children"

be easier to fill than if he had still been running Mercury. However, he gave the group a certain style and vision which will be hard to replace.

He is moving to a smaller job – albeit probably much better paid – at Next Computer in California, and is both philosophical and complimentary about his new boss, Steve Jobs. Founder of both Apple Computer and Next and the *enfant terrible* of the US computer industry, Jobs has never been the easiest of people with whom to work.

John Scully, imported to give Apple strategic direction and management weight, solved the problem by taking control of the company himself. Is a similar coup likely at Next, an innovative computer company that has never fulfilled its promise?

Van Cuylenburg says that Jobs has matured and that his persistence in a difficult market is to be admired. But to what extent is van Culenburg's move a reaction to being passed over for the top job at C&W? No part of it, he says, arguing that the chance to work with an imaginative computer software company is an unrepeatable opportunity.

It will be a meeting of old Texas Instruments minds. Robb Wilmot, former head of TI in the UK and once ICL's managing director recruited van Cuylenburg. Next week, the two of them plus Jobs will be lunching in California to discuss Wilmot's possible contribution to Next's strategic direction.

Peer pressure

■ Yet again, the recent exchange of letters in The Times has proved that when it comes to fielding heavy-weight teams of sympathetic businessmen, the Tories win hands down. In terms of big business experience, Labour peer Lord Hollick's team was no match for Sir Allen Sheppard's Conservative cheerleaders.

Whereas FT-SE 100 company bigwigs (including a director of the Bank of England) dominated the signatories of Sir Allen's letter, Hollick's list did not include the chief executive of a single Footsie company.

Apart from one or two successful entrepreneurs like publisher Paul Hamlyn, the few seasoned industrialists seemed to be outnumbered by media and property types. The City was under-represented – although Charles Cavanagh is a senior Kleinwort Benson fund manager and also a clergyman.

Crystal gazing

■ Professor Graef Crystal, the man American chief executives love to hate, is making yet another comeback.

The analyst and professor of business in Berkeley, California, who has had a field day publicising the bulging pay packets of US corporate chieftains, was once described by Fortune magazine as America's "foremost compensation expert". But Fortune itself had the misfortune to show, in its 1990 annual executive pay list, compiled by Crystal, that the greediest US executive was Steve Ross, chairman of Fortune's parent, the Time Warner group.

Crystal left the magazine last summer after receiving what he described as an insulting letter from Time Warner.

He then went to work at Financial World, but was dismissed, apparently having again incurred the wrath of several top ceos. The magazine's editor offered the half-hearted explanation that "it's obviously a very high-profile kind of topic and it has attracted a lot of attention, and some of the attention has not always been helpful for the magazine".

Now Crystal has signed on as a columnist for The New York Observer, an irreverent weekly newspaper whose editorial mission appears to be the debunking of myths and heroes of the the 1980s.

Graydon Carter, its editor, pledges that Crystal will have "complete freedom"; Crystal says: "A lot of eyes need to be poked out and the Observer should allow me to do that."

From one Observer to another, good luck.

Fair exchange

■ The Leeds Chamber of Commerce and Industry reports in its latest trade bulletin that Israel is "seeking a UK agent and looking to place an Israeli agent...".

Future shock

■ Sign on shop door near Blackheath Hill, Greenwich: Due to unforeseen circumstances, we will be closed from 12.30 to 3.30 on March 28.

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ECONOMIC VIEWPOINT

'Peace, retrenchment and reform' ?

By Samuel Brittan

It is with extreme reluctance that I write about the UK election campaign. For there is no party which could be identified with the Gladstonian Liberal slogan of "Peace, Retrenchment and Reform" – of which Cobden was a more consistent exponent than Gladstone himself.

Modern Conservatives would be embarrassed to be associated with the first word of the slogan and they are the last group to be associated with more than superficial institutional reform. Even on retrenchment, the very most one can say is that they are less bad than the others. There is not much retrenchment about adding to borrowing in the face of a £32bn (not £28bn) budget deficit, before even privatisation or council sales.

The problem with today's Liberal Democrats is that they are not Gladstonian Liberals but are very clearly the heirs of the so-called New Liberals of the early 20th century, who saw it as their role to enlarge the functions of the state. Paddy Ashdown has been saddled with too much interventionist baggage.

Labour is still full of zeal to bribe corporations but penalise people who make them function

The case for supporting the Liberal Democrats lies not in their economic proposals, but in their constitutional ideas. Unlike many commentators who support proportional representation, I want to ensure *inter alia*, that nothing like Labour's tax and minimum wage proposals are ever enacted. And my main reservation is that some Scottish Liberal Democrat MPs are muttering about being prepared to support a minority Labour government in return for something less than full PR. That would be to repeat unforgivably the howler made by the Liberals in the 1960s and 1970s when they sustained minority Labour governments with nothing worthwhile in return.

As for Labour's shadow Budget: words almost fail me. Lord Hailsham once wrote scathingly about the absurd importance attached to the party manifesto "as a pronouncement from Sinai, with every jot and tittle, of that unreal and unreasonable document, reverenced as holy writ".

But worse than the manifesto is a so-called Budget drafted in opposition, which is certain to be quite out of date by the time any chancellor has to introduce a real Budget. Yet John Smith would feel honour bound to try to stick to it.

The Treasury would not have any real secrets to impart to him other than the bad forecasts with which it has broken so many governments. But it is still possible that someone there, away from the heat of the campaign, has something worthwhile to tell a new chancellor, which has not yet penetrated to Mr Smith through the network of donnish supporters with Whitehall friends. But this ridiculous document would prevent him from paying any attention.

The whole document is so tawdry. If you want to make it like a genuine Treasury Red Book, for goodness' sake carry the illusion through, and do not insert "Abolition of the bribe to opt out of Serps".

As for the content of the proposals: a learned analysis is superfluous. The idea behind it can be very straightforwardly illustrated if the reader will play a little game. Take 10 piles of coins, or other counters, of different height. Then take some coins off the two largest piles and redistribute those taken away on to all the other eight piles. Ignore any effect of shifting the counters around on the aggregate of all the piles. Then he will certainly find that eight out of the 10 piles have gained – in this case usually trifling amounts. If that is what voters want, and they believe that all income belongs to the state to redistribute in this way, then they will deserve all they get.

But even accepting these assumptions Labour has made a botch – maybe because the original calculations were done so long ago. The new top band of tax will be 59 per cent with employee national insurance contributions, and 70-80 per cent if properly calculated, to take in employers' contributions and indirect tax. The so-called right wing of the Labour party were so full of self-congratulation at the supposed moderation of this top rate that they did not look too closely at where it would bite. This will happen at what some Labour adviser presumably once thought was the extraordinarily high income of £40,000 per annum – which is, in fact, only 2½ times average male annual earnings last year. It is indeed a good deal fiercer on middle-upper incomes than the scale that Mr Denis Healey, who boasted of making the pips squeak, left behind in 1978-79, although less steep at the very top.

For what is all that to be used? For an untargeted, across-the-board increase for all pensioners and for all beneficiaries of child benefit, irrespective of means. And in addition for so-called public investment, much of which will flow to the public service unions, and for handouts to manufacturing companies for investment. Labour cannot rid itself of its zeal to bribe corporations but penalise the people who make them function. The real gainers will be the tax advisers.

What made me turn off the television set, despite promising the editor to view it to the end, in a television debate with Norman Lamont and Alan Beith, was when John Smith erupted and said: "Anyone would think there is something wicked or immoral in a minimum wage." But there is something immoral in some government authority interposing its clumsy know-best ukase between a willing seller of labour and a willing buyer. There are all kinds of situations, undreamed of in Social Charter philosophy, when such bargains are in the best interests of the most disadvantaged people for whom the left-wing parties are supposed to stand.

And please do not tell me about boys going up chimneys in the industrial revolution. We are talking about agreements between *consenting adults*, as the real Gladstonian Liberals pointed out at the time of the Factory Acts legislation. I nearly switched off the set earlier when the shadow chancellor was using arguments such as "10 out of 12 European countries do X". Has he not heard the talmudic saying about not following a majority to commit a folly?

Nevertheless, I am not entirely sorry for the mess into which Conservative ministers have got themselves. When asked what he was doing about the recession, Norman Lamont gave a purely unreconstructed Keynesian answer about the amount of his spending increases and tax cuts – despite the fact that his own Budget speech repudiated the idea of giving the economy a kick-start; and it was this blatant contradiction that irked me far more than the policy.

The chancellor would have been much better off to have accepted some Treasury advice that no net tax reliefs were advisable this year instead of compromising on a moderate bribe. The lower-rate tax threshold is the epitome of the second rate – superficially attractive, but deeply flawed. Surely somebody warned Mr Lamont that raising tax thresholds was a much more effective way of helping the least well-off taxpayers, and that Labour could easily trump him by offering to do just that?

But what irritated me most was the lack of all historical sense. The chancellor did not acknowledge that Denis Healey had previously inserted a lower band in the 1978 Budget at a very late stage, at the behest of the TUC, which Sir Geoffrey Howe had abolished in 1980. Nor did Neil Kinnock remind him of these awkward facts, despite the measure having leaked into one of the popular dailies.

The main reason of which I can think for the utter lack of style or distinction with which the election is being fought is the predominance of public relations and advertising executives, who are supposed to be the experts on just such things, but are too tunnel-visioned to see beyond their "research".

* * *

Why have I not stuck to my last and written about policies to cure recession? Because none of the parties has the least contribution to offer. A sizeable reduction in interest rates will have to wait until the Bundesbank decides that inflationary pressures *in Germany* have subsided sufficiently for it to take the lead. Meanwhile the possibility of higher interest rates under Labour to offset foreign exchange market distrust, the blow to confidence among spenders in the south-east and the human deterrent to inward investment risk delaying recovery. Is the risk worth it?

Building a cheaper roof over one's head

Simon London and **David Owen** on proposals for new ways to finance low-cost rented housing

It is widely accepted that the UK is in urgent need of more "affordable" housing for rent – an additional 100,000 such homes must be built each year, according to some estimates. Housing associations could play a leading role in meeting the demand for low-cost rented housing, but *they are finding it hard to* attract enough private sector capital. New approaches may be required if housing need is to be met.

Housing associations *already receive substantial* government grants to build houses for rent. This year they will get £1.7bn, but they will need another £500m of private sector capital to meet their housing targets. In addition, they will require as much as another £2bn a year to finance the acquisition of council homes – transfer to housing association ownership is at the centre of the government's drive to improve the lot of council tenants.

So far, associations have managed to raise sufficient funds from the private sector. The Housing Corporation, the quango which regulates registered housing associations, says £2.6bn has been raised over the past four years, from 82 lenders. However, associations are finding it harder to raise the finance they need.

One reason is fragmentation: only a handful of the associations are large enough to borrow directly in the capital markets. Most rely on finance provided by local bank or building society branches, usually at higher rates.

But the number of lenders prepared to lend to housing associations has declined. The National Federation of Housing Associations (NFHA) says fewer than a dozen banks and building societies are willing to lend regularly to associations – and each limits the amount it will lend.

In recent transfers of housing from local authorities, there have been only four active lenders: National Westminster Bank, Halifax Building Society, Bank of Scotland and Nationwide Building Society. Other lenders which backed earlier transfers such as Banque Paribas, the French bank, have pulled back from the market.

One organisation which could help is The Housing Finance Corporation (THFC), a limited company set up by the Housing Corporation and the NFHA to raise money for housing associations from bond market investors, such as *insurance companies and pension funds*. So far it has found £250m, using single bond issues to raise funds for several housing associations at cheaper rates than they could *get on their own*.

But THFC has no capital base to absorb bond holders' losses if an association goes under. Without this cushion, investors are mostly unwilling to lend to associations.

A study by the Joseph Rowntree Foundation, a non-charitable trust which investigates social issues, proposes an intermediary with its own capital base, similar to 3i, the development capital firm, or

New instruments could allow housing associations to approach the bond markets directly

the Agricultural Mortgage Corporation. It suggests that an intermediary with £50m of capital could raise about £500m from the bond market.

The Department of the Environment has commissioned a report from Hambros, the City merchant bank, on whether such an institution is necessary and feasible. The Labour party is also attracted to this approach; it is committed to introducing a National Housing Bank which would perform much the same function.

The government might, however, be unwilling to find the start-up capital, fearing that the new body will be seen as backed by government guarantee. Borrowing by a government-backed body would, under current accounting rules, inflate the public sector borrowing requirement.

Capital could come from the banks, through a stake in the new intermediary like that in 3i. Yet the banks are unlikely to be willing to invest in such a project in the recession – they are already planning to realise their investment in 3i by floating it on the stock exchange later this year, to concentrate on core business.

An alternative to a capital*ised intermediary would be* new instruments to allow housing associations to approach the bond markets directly. The simplest would be a system of "credit enhance*ment" where, in return for a* premium, specialised insurance companies would guarantee bond issues against default, offering investors additional security.

The Rowntree report rejects credit enhancement because the cost would be too high. But some housing associations are already considering credit-enhanced bond issues to raise the large amounts needed to finance the acquisition of local authority housing. Broomleigh Housing Association, for example, is considering a credit-enhanced bond issue if it cannot get bank finance for the £150m needed to purchase council housing from Bromley council in Kent.

Finally, if new organisations or instruments are rejected, housing associations might find it easier to raise the finance they need if their borrowing requirements could be reduced. At present, when council homes are transferred to housing associations, the associations pay an average of £8,000 for each property under a Treasury pricing formula.

If the properties were transferred at a price which reflected the outstanding debt on them, the unit cost would be reduced to less than £5,500, according to the Institute of Housing. This would reduce the amount housing associations have to borrow, permitting less complex loans of shorter maturity and almost certainly increasing the number of potential lenders.

Attractive as it may seem, however, such a change would need to be handled with political sensitivity if it were not to appear that the government was selling off council houses on the cheap.

LETTERS

Amstrad chief charges Labour with not doing its homework, and offering no route out of recession

From Mr Alan Sugar.

Sir, I have noted with disgust the comments of a certain Mr Gordon Brown who has accused me of doing well out of the recession after reading the letter published in The Times from 40 top industrialists.

I do not know who Mr Gordon Brown is. Excuse my ignorance, but I don't. Whoever he is [shadow trade and industry secretary], he has not done his homework properly. The man doesn't know what he's talking about. How he has the audacity to say that Amstrad, or Alan Sugar, has flourished in recession is a complete mystery to me.

Amstrad made its first loss ever this year. It is not a secret that our share price has tumbled to about one-seventh of what it was. The value of my shares has collapsed from £500m to £100m more or less overnight. The salary I have been taking in the company is pretty meagre – about £170,000. It's nowhere near the million-pound bracket. So this talk that I have prospered in the midst of recession is total nonsense.

I personally have made a lot of money in my time, despite coming from a working class background in the East End. The money hasn't been handed down from family to family or by the old boys' act. I was able to start from scratch.

When taxation was 98p in the pound under the last Labour government I would have been spending my time doing what I am doing now – creating wealth and producing employment. I would have been better off going to Bermuda, the Virgin Islands or Timbuktu.

But I don't want to go to Bermuda to avoid tax and lie on the beach. I don't like paying tax, but I agree that the 40 per cent I pay at the moment is reasonable and fair when you balance the fact that the country has got to run itself somehow, and I like living in England.

So that's why I'm here. That's why I'm still spearheading my company and that's why I'm still employing people, innovating and surviving in a very difficult market.

Our letter to The Times talked of the importance of the enterprise culture for the future prosperity of Britain. The thing that frightens me the most about a Labour government is that it suppresses enterprise.

For instance, Labour's talk about investment is a bit of a joke. The capital allowances for machinery, plant and equipment *it urges are* not going to encourage people to rush out tomorrow and start equipping a factory or making products.

If you've got good design and innovative *products you don't* need any help, thank you very much indeed. You get on and make it. Amstrad is a classic example. We built our own factories in Shoeburyness in Essex without a penny grant on an 11-acre site. From there, in 1980, we fought off the Japanese to turn ourselves into the market leader in audio equipment. I didn't need help from anybody at that stage because we had invented good merchandise and good products.

The same goes for satellite dishes today. We rule the satellite dish market in this country and half of Europe and the dishes are made in Birmingham. I didn't need any investment or any help to do it. All I needed was the government to keep out of the way. More than 1m dishes have been sold to date in this country alone. When we placed the orders in the factory the satellite hadn't even been launched. It's that sort of entrepreneurial spirit the Conservatives believe in and Labour doesn't understand.

The reason Labour flourished many years ago was the "them and us" situation that prevailed in England. There were the rich and there were *the poor. At that stage maybe* I would have sympathised with the need for a Labour government.

But that's all been changed now. Look around. Yes, there are the very *poor* and *more* should be done for them. But almost everybody's got a microwave oven, a car and a colour television – maybe more than one colour television in their homes. Let's be honest with each other. "Them and us" doesn't exist any more, as I have demonstrated.

I have been able to come from the working class, achieve what I set out to achieve and not be suppressed by anybody. Likewise, in the stock market today there are bright young men with a Cockney accent doing deals and buying and selling shares. It's not just the Heskett-Smythes mob that are doing it. Anybody can do it.

The government has made mistakes; nobody's perfect. To be sure, somebody took his eye off the ball. Now the belt has been tightened and there have been casualties. But it is not just the poor unemployed factory worker from the Midlands who is being thrown out of work. So are the merchant bankers, the stockbrokers and the estate agents.

Labour offers no sort of route out of recession. It's out of date and – as Brown's remark shows – it hasn't done *its homework*.

Alan Sugar,
chairman,
Amstrad,
Brentwood House,
165 King's Road,
Brentwood, Essex

Role of the electricians' union at Wapping

From Mr Eric Hammond.

Sir, Michael Smith's review (March 12) of my book, Maverick, is a little lopsided with its concentration on Wapping. As for the headline, "Hammond *admits to talks with Murdoch*", I have never denied meetings with *News International*.

Indeed, in our evidence to the Trades Union Congress in February 1986, we said: "Negotiations during 1985 between the TUC PIC [printing industries committee] unions and News International about its Wapping plant had been on the basis of the company's expressed intention that it proposed to use that plant to print a new paper, The London Post, and not any of its existing titles. This is confirmed by Sogat's evidence to the general council on January 30. As *these negotiations* related to a new newspaper to be produced at a new plant no union enjoyed any existing right of recognition or negotiation in respect of that plant."

But *all our* meetings were concerned with a new newspaper, *The London Post, to be* produced on a new site. We had been successful with Mr Eddie Shah in 1985 and hoped to do the same with News International.

We were unsuccessful at Wapping because the print unions upped the stakes with their strike and gave News International the pretext to transfer existing titles to Wapping. We had nothing to do with that decision, nor could we change it. The responsibility rests squarely with the print unions.

Eric Hammond,
general secretary,
Electrical, Electronic Telecommunication & Plumbing Union,
Hayes Court,
West Common Road,
Bromley, Kent BR2 7AU

Not asked

From Lord Young.

Sir, Your *Observer* column considers it surprising ("Enterprising initiative", March 18) that I signed neither Sir Allen Sheppard's letter in support of the party of enterprise, nor Lord Tombs's letter protesting at the ditching of Margaret Thatcher in 1990. Not so, I simply wasn't asked.

Young,
House of Lords,
London SW1

Good and bad habits

From J P Warren.

Sir, The immortal words of the late Artemus Ward (Charles Farrar Brown) spring to mind at this pre-election time: "Let us be happy and live within our means, even if we have to borrer the money to do it with."

He also wrote: "I am not a politician and my other habits are good."

J P Warren,
Cherrymead,
Alfold,
near Cranleigh,
Surrey GU6 8ES

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Electronics giant may be stillborn

French plans for a 'competitive' conglomerate are faltering, writes **William Dawkins**

FRANCE'S controversial plans to create a giant electronics to nuclear energy conglomerate are getting bogged down.

The Socialist government unveiled the project in a blaze of optimism last December, when it described the plan as a way of giving French electronics the muscle to compete against companies such as Toshiba of Japan and Siemens of Germany.

The idea then, as now, was to merge the lossmaking civil electronics businesses of state-owned Thomson, the defence and consumer electronics group, with the profitable CEA-Industrie, the public sector nuclear fuel and plant producer.

Now, however, the gloss is being rubbed off by scepticism from the opposition and from managers and staff in the nuclear industry, who complain they were never consulted over the plan.

The senate, the conservative-dominated upper house of parliament, warned in a report last month that it was poorly prepared, the result of ideological dogma, and "unlikely to see the light of day." Officials warn that the merger may not be ready by the government's June deadline.

Its main supporters are Mrs Edith Cresson, the prime minister, and her special adviser Mr Abel Farnoux, who sets an interventionist tone for her industrial policy.

Mr Alain Gomez, chairman of Thomson, is right behind them, if only because he wants to separate Thomson's lossmaking consumer electronics businesses from its profitable defence arm.

Cautiously, the Commissariat à l'Energie Atomique (CEA), holding group for the nuclear energy businesses concerned, has refrained from passing judgment in public. Mr Philippe Rouvillois, chairman, has simply warned that the CEA expects to be reimbursed for the loss of FFr400m ($71.7m) in dividends it draws from its industrial subsidiaries, due to be hived off to the new company.

In private, CEA executives fear that Thomson will be allowed to plunder their cash reserves. Mr Jean-Claude Leny, chairman of Framatome, the CEA-controlled nuclear plant builder, is said to be deeply against the plan, precisely because he does not want his cash reserves to be used to run down the FFr10bn of Thomson Consumer Electronics' debt.

Others feel that their general strategies are in question. "Our development projects are frozen, awaiting the public authorities' decision on the new group," Mr Alain Vidart, chairman of Cisi, a CEA computer services unit, told a French newspaper last week.

The man in charge of putting all this together is Mr Jean Syrota, chairman of Cogema, the CEA-owned nuclear fuel business.

Yet the unflappable Mr Syrota has already shown, in his quiet way, that he is going to be no pushover for Mrs Cresson's industrial planners.

Mr Syrota has done nothing to separate the chairmanships of CEA and CEA-Industrie – the holding company for the commission's industrial activities – despite the fact that the government issued a decree allowing him to take this first step to putting the project in place.

He has also dragged his feet by not producing a detailed study of the feasibility of the new structure and how it might fit together. Instead, his report is understood to have been an extremely brief account of progress so far, emphasising that feasibility could not begin to be assessed until a full evaluation of all the businesses involved had been carried out. "Report? What report?" was the sarcastic response of an irritated Mr Farnoux when asked about progress.

Evaluation is now being carried out by banks under the direction of Mr Jean-Claude Trichet, the powerful treasury director, called in by the government to arbitrate.

Not surprisingly, Thomson appears to value itself more highly than the banks do. The final figures cannot be decided until Thomson's 1991 results – believed by analysts to show another heavy loss – are known and these will not be published for at least several weeks, Thomson says.

By then, the results of next Sunday's regional elections will be known. These are likely to be another big blow to the government's confidence and could hasten the arrival of a general election. Clearly, a change of government would throw doubt on the whole project.

Buchanan refuses to withdraw but admits Bush will win nomination

By Jurek Martin, US Editor, in Washington

MR Pat Buchanan yesterday finally conceded that "only celestial intervention" could deny President George Bush the Republican party's nomination for the November presidential election.

The conservative television broadcaster declined to withdraw after suffering heavy defeats in Tuesday's primaries in Illinois and Michigan, which left Mr Bush with about 80 per cent of the delegates needed for the nomination.

Mr Buchanan said he would focus his energies on North Carolina and California, which vote in early May and June respectively, but promised not to air commercials criticising the president.

Mr Buchanan won only 25 per cent of the vote in Michigan, where he had campaigned hard, and 22 per cent in Illinois. Both results were well down on the 30 per cent plus protest scores achieved in earlier primaries.

Although not a factor in these two states, the apparently improving state of the economy, together with Mr Buchanan's virtual concession of defeat, leaves Mr Bush in his most comfortable political position this year.

Further qualified consolation was provided yesterday by the Federal Reserve's latest survey of business conditions nationwide, the so-called Beige Book, which found a "modestly more optimistic" sentiment as a result of strength in housing, car sales and housebuilding.

Mr Bush, however, may not yet turn his fire on the clear Democratic frontrunner, Governor Bill Clinton of Arkansas. His first target is likely to be the Democrats in Congress, which is due this week to pass a reflationary package containing some tax increases certain to attract a presidential veto.

But the president may also stand back in the hope of seeing Mr Clinton attract the same sort of withering attack from former governor of California Mr Jerry Brown that Mr Buchanan had been inflicting on Mr Bush. Mr Brown launched a vituperative assault on Mr Clinton before this week's primaries.

Democratic presidential hopeful Bill Clinton and his wife Hillary wave to supporters as they celebrate victory in the Illinois and Michigan primaries at a rally in Chicago

Mr Clinton took the two big industrial states impressively, with 51 per cent in each, bringing his delegate total closer to half the 2,145 needed for the Democratic nomination. He therefore established, beyond a doubt, his credentials as a national candidate.

Mr Brown pushed former Massachusetts senator Mr Paul Tsongas into third place in Michigan and cut into his support in Illinois. Mr Tsongas was conspicuously downcast after the results and went out of his way to congratulate Mr Clinton, seeking to eliminate the bitterness that has characterised their recent exchanges. He may also have been preparing the way for a withdrawal if the Connecticut and New York primaries go badly.

Mr Brown, however, promised Mr Clinton no quarter, again raising questions about the governor's character and sense of propriety. Some senior Democrats, fearful that the party could tear itself apart, have urged Mr Brown to tone down his rhetoric.

In the congressional primaries, also held on Tuesday, evidence emerged that incumbent congressmen could be in for a tough time this year. Senator Alan Dixon, of Illinois, was beaten in his bid for a third term in the Democratic election. Voter turnout was also extremely low, indicating considerable lack of enthusiasm for the choices on offer.

Wins send signal on Nafta, Page 3
Jerry Brown takes up protest baton, Page 6
***Fed report sees improved* economy, Page 7**

UK tennis ball maker to dispute $6.25m fine

By Andrew Hill in Brussels

BTR, the British industrial conglomerate, is to appeal against the European Commission's decision yesterday to impose an Ecu5m ($6.25m) fine on its subsidiary Dunlop Slazenger International for hampering competitive exports of its tennis and squash balls.

Mr Stanley Williams, BTR's company secretary, admitted yesterday there had been a "technical breach" of EC competition rules, but added: "We believe that the size of the fine we have been given today is out of proportion with what has happened."

Mr Williams also said it was "disgraceful" that the proposal had been leaked to the press before yesterday's formal decision by the full Commission.

He said BTR's lawyers would be combing the detail of the Commission decision to check that the proper procedure had been followed. The Court of First Instance, the EC's lower judicial body, recently quashed a Commission fine on the grounds that short cuts had been taken by the Brussels bureaucracy, but an official said yesterday that the Commission had scrupulously observed its own rules in this case.

The Commission has punished Dunlop Slazenger for restricting exports of the balls from the UK, to protect its sole distributors in other EC countries. BTR argues that the Brussels authorities have misunderstood the market.

Mr Williams added that BTR only took over Dunlop Slazenger in 1985, and therefore could not be held wholly responsible for restrictive practices which began in 1977 and ended 10 years later. A Commission official said: "If you buy a company, you buy it with all its [legal] liabilities."

● The Dutch builders' federation, facing a Commission fine for operating an illegal contract cartel, repeated its intention to maintain the system until the European Court decides whether the Brussels decision should be suspended. The Commission said on Tuesday that it could impose penalty payments if the federation did not stop the cartel immediately.

THE LEX COLUMN

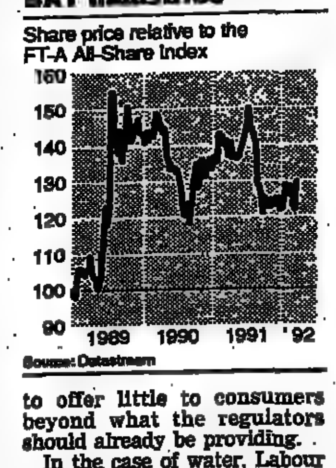
The smoke clears at BAT

Not too many UK composite insurers boosted their payout by 8 per cent last year, which raises the question of whether the London stock market needs to look at BAT Industries in a fresh light. The obsession with Eagle Star, after all, has twice wrong footed investors, initially in the first part of last year when the shares raced ahead on misplaced hopes of a turn in the insurance cycle, latterly as panic set in that Royal's horrendous mortgage guarantee losses might prise open a new can of worms at the ill fated BAT subsidiary.

Tobacco and insurance may not be everyone's idea of solid long term businesses. But with signs that the worst is over for Eagle Star, and tobacco as defiant as ever in the face of the obituarists, BAT's simultaneous ambition to increase dividends ahead of inflation and rebuild cover looks eminently feasible, a 7 per cent prospective yield hardly demanding. Eagle Star's losses may be enormous – and even £300m is an understatement were the company to report its figures like the composites – but at least there is a chance of break even by the end of this year and a return to profitability in 1993. The recovery in earnings will be all the greater for stemming the write offs in ACT. BAT may still be hiding its blushes, but when the insurance shake-out is complete the company will make much more money than its financially weakened competitors.

BAT's relative balance sheet strength, of course, stems from the tobacco cash flow, which last year benefited from an improved US market share, the relaxation of price controls in Brazil, and galloping exports from the UK. The US Supreme Court's pending ruling on product liability is a genuine puff of smoke over the shares – but on the not unreasonable assumption this goes the industry's way, US investors would again become serious buyers.

FT-SE Index: 2,463.7 (−26.5)



Utilities

Shares in the water and electricity utilities may have simply been reacting badly to the polls yesterday. Or perhaps their marked underperformance was caused more by investors misreading Labour's manifesto. Labour's choice of the term "public control" over the two industries was confusing, perhaps deliberately so. It confirms a retreat from full ownership, without carrying an obvious meaning. The broader commitments appear to offer little to consumers beyond what the regulators should already be providing.

In the case of water, Labour has nothing to lose in making its intentions clear at once. It is inconceivable it could ever afford to take on the burden of the industry's huge capital spending. While there will be tighter regulation in future, that old threat should have been largely in the price. Judging by yesterday's 4 per cent fall in Anglian and Thames Water shares, the market has been less than efficient.

As for Labour's view of electricity, it is complicated by an environmental policy which includes a pledge to stabilise and then speed up reduction of carbon dioxide emissions. It is hard to square that with smaller coal imports, the closure of nuclear stations and blocking of gas-fired stations. Until that contradiction is addressed, investors can only guess at the industry's eventual shape. That promises an uncertain ride for the shares.

Rentokil

Rentokil has made itself a hostage to fortune by promising annual earnings growth of 20 per cent. The target was comfortably exceeded in 1991, but it will become ever more demanding as inflation recedes. So it is natural to question its long-term prospects, especially since one possible route to higher profits – squeezing margins – is approaching exhaustion. The margin on environmental services, which make up most of the business, climbed to over 28 per cent in last year's second half. That is pushing against what even the company admits is the ceiling.

Happily, Rentokil also managed a healthy level of organic growth, even in the depressed Anglo-Saxon markets. There should be further scope from that quarter, while the company has plenty of cash to finance a steady flow of small acquisitions. But it will become increasingly dependent on such a diet and much depends on whether enough opportunities emerge. Failure to keep up the pace would be a clear warning of faltering growth down the road.

A historic multiple of 25 suggests the market is unperturbed about Rentokil's ability to meet its growth target for the next five years or so. By 1997, however, it should be growing profits from a base of at least £235m. Given that Rentokil shares were the 13th best performer in the FT-SE over the past year, they will only appear cheap to those who believe that momentum can be maintained even after 1997. Rentokil must be approaching the point where there is more risk than sure reward.

Cadbury Schweppes

A Mexican mineral water company might seem a risky investment for Cadbury Schweppes, but the £188m deal is logical enough. Mexico is one of the world's largest markets for soft drinks and consumption is growing by 9 per cent annually. Aguas Minerales is the market leader in bottled water. More important its bottling capacity should transform the distribution of Cadbury's Mexican brands and make the group into a much stronger competitor.

The price implies a goodwill write-off of £100m and will also mean a small dilution of next year's earnings. But Cadbury must inevitably pay up for such fast-growing businesses and its highly-rated shares are a sensible currency. Investors are doubtless more concerned to know it has learnt from the experience of rivals like PepsiCo. In 1982, Pepsi took a large exceptional charge after admitting it had been defrauded by local Mexican management.

Eureko

The pattern of the great European insurance shake-up is becoming clearer with confirmation of the four-way alliance between the UK's Friends Provident and Dutch and Scandinavian partners. As with Royal, AMB and Fondiaria, cross-border synergies look a long way off. In the short term, the deal provides cover against single market risk.

Bosnian leaders agree to an ethnic divide

By Laura Silber in Belgrade

THE LEADERS of Bosnia-Hercegovina yesterday claimed a breakthrough in European Community-sponsored talks on the future of the Yugoslav republic. They agreed in principle to an independent state divided into three separate areas along ethnic and geographic lines.

The document, called a statement of principles, appeared to pave the way for international recognition of Bosnia as an independent state. Diplomats say it is likely that the EC and the US will jointly recognise Bosnia early next month.

The accord would give the Slavic Moslems, Serbs and Croats regional control over their local economies, culture, health and education, leaving foreign and macro-economic policy to a collective government and parliament. It appeared to be an attempt by the leaders of Bosnia's three main national groups to defuse rising ethnic tension which many fear could explode into a civil war.

But the agreement left unresolved where the new boundaries would be drawn to separate the intertwined ethnic groups in Bosnia's 4.4m population. It also did not define future control over the police and the armed forces. According to western diplomats, the Serb-controlled federal army now has an estimated 100,000 troops in Bosnia.

Diplomats in Belgrade, the Serbian and federal capital, were cautious about the accord. "This is a little progress, but don't be deceived," said a western diplomat. "It is a journey of many miles".

Mr Jose Cutilhiero, a Portuguese diplomat who chaired the two-day talks, said it would take some long negotiations before a draft constitution could be drawn up.

The agreement seemed to represent a concession by Mr Alija Izetbegovic, the Moslem president of Bosnia, who has opposed the division of Bosnia into ethnic units.

Moslems, who make up 43 per cent of the population, fear the republics of Serbia and Croatia will move to annex parts of Bosnia, leaving the Moslems without a homeland.

Mr Radovan Karadzic, the leader of Bosnia's Serbs, has consistently rejected an independent Bosnia. Many Serbs have raised roadblocks in Bosnia in protest against the "yes" vote in the independence referendum on March 1.

Mr Karadzic said: "It is a great day for Bosnia. In this moment if we respect what we agreed to we can see there are no more reasons for civil war in Bosnia".

However, he also said after the talks that "undoubtedly there will be three Bosnias and it does not matter what they will be called", thus appearing to contradict an earlier pledge to respect the inviolability of the republic's borders.

Bundesbank tax warning

Continued from Page 1

DM24bn, and aids to industry and investment through grants, cheap loans, and tax concessions for DM25bn. Pensions would take DM14bn, with a net DM1bn from the EC.

Around 25 per cent of federal spending would go to east Germany this year against 20 per cent in 1991, the bank said. Some DM85bn of the transfers would flow into east German households (DM60bn in 1991), financing 40 per cent of private consumption.

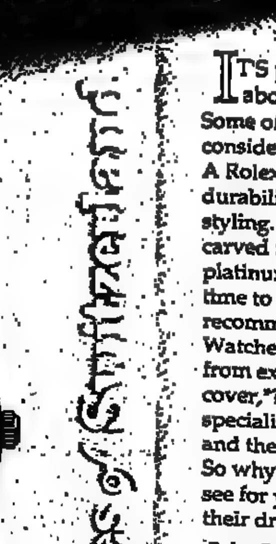
These transfer payments do not include outgoings of the state postal or rail authorities, or the Treuhand, the east German privatisation agency.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	14	57
Algiers	S	19	66
Amsterdam	C	10	50
Athens	Sl	5	41
Bahrain	F	20	68
Bangkok	F	34	93
Barcelona	F	15	59
Beijing	S	11	52
Beirut	F	18	64
Belfast	C	9	48
Belgrade	S	8	46
Berlin	C	8	46
Biarritz	S	14	57
Bombay	S	31	88
Bordeaux	S	15	59
Boulogne	S	14	57
Brussels	F	12	54
Budapest	F	7	45
Buenos Aires	F	30	86
Cairo	F	22	72
Cape Town	S	24	75
Caracas	C	30	86
Casablanca	S	12	54
Chicago	S	0	32
Cologne	S	14	57
Copenhagen	C	8	46
Corfu	S	12	54
Dallas	S	15	59
Dublin	C	12	54
Dubrovnik		-	-
Edinburgh	R	11	52
Faro	S	18	64
Florence	S	14	57
Frankfurt	S	13	55
Geneva	S	11	52
Gibraltar	S	18	64
Glasgow	F	10	50
Helsinki	Dr	2	36
Hong Kong	F	20	68
Innsbruck	S	10	50
Inverness	R	5	41
Islamabad	F	23	73
Istanbul	Sn	2	36
Jakarta	F	32	90
Jersey	S	12	54
Johannesburg	F	23	73
Lima	F	29	84
Lisbon	F	18	64
London	C	13	55
Los Angeles	C	12	54
Luxembourg	S	12	54
Madeira	F	17	63
Madrid	S	18	64
Majorca	S	18	64
Malaga	C	18	64
Malta	S	13	55
Manchester	C	10	50
Manila	F	34	93
Melbourne	C	18	64
Mexico City	F	28	82
Miami	S	19	66
Milan	C	11	52
Montreal	S	-16	3
Moscow	S	1	34
Munich	S	10	50
Nairobi		-	-
Naples	F	12	54
Nassau	F	23	73
New Delhi	S	27	81
New York	S	0	32
Nice	F	14	57
Nicosia	F	13	55
Oporto	F	14	57
Oslo	F	10	50
Paris	S	14	57
Prague	F	8	46
Reykjavik	Sn	2	36
Rhodes	F	9	48
Rio de Janeiro	C	33	92
Rome	S	13	55
Salzburg	S	8	46
San Francisco	F	9	48
Seoul	C	10	50
Singapore	S	28	82
Stockholm	C	9	48
Strasbourg	S	12	54
Sydney	S	23	73
Taipei	C	20	68
Tangier	C	18	64
Tel Aviv	C	15	59
Tenerife	S	20	68
Tokyo	R	3	37
Toronto	S	-9	16
Tunis	F	15	59
Valencia	F	17	63
Venice	S	10	50
Vienna	F	5	41
Warsaw	F	6	43
Washington	F	6	43
Zurich	S	10	50

Temperatures at midday yesterday C - Cloudy Dr - Drizzle F - Fair Fg - Fog H - Hail R - Rain S - Sunny Sl - Sleet Sn - Snow T - Thunder

If you dream about Oysters, we recommend seeing a specialist



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INSIDE

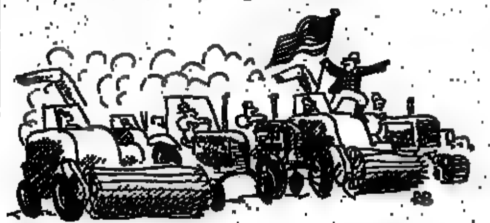
US banks merge in $876m stock deal

NBD Bancorp, the Detroit-based banking group, has agreed to acquire the Indiananapolis-based INB Financial Corporation, a large Indiana bank, in a stock deal worth $876m. NBD has total assets of $31bn and has another Indiana bank deal *pending — with Summcorp*, a banking group with $2.5bn of assets. NBD said total assets after the INB and Summcorp transactions would be $40bn. **Page 24**

Marley cuts costs and moves up

A reduction in overhead costs helped Marley, the UK building products manufacturer, report a 75 per cent increase in pre-tax profits, to £25m ($43.3m), for the year. Mr *George Russell*, chairman, said a "worldwide blast" against overheads brought a saving of around £30m. **Page 29**

US farm co-ops join forces



US farmers are getting together to beat off competition. The latest deal has created the biggest agricultural co-operative in the US, with combined assets in excess of $1.7bn (£960m). But even this huge group will face significant risks in re-entering the world grain trade. **Page 30**

Thomson falls

Thomson, the Canadian-controlled information-publishing group, reported 1991 earnings down to US$292m, compared with $385m a year earlier, because of the north American recession and lower newspaper advertising revenues. Operating profit was $692m, down 4.7 per cent from 1990. **Page 24**

Maxwell fraud insurance aired

The Maxwell companies and pension funds have started to file claims under some £50m ($86.6m) of insurance policies which include *clauses insuring them against employee dis*-honesty, robbery, forgery, counterfeit and computer fraud. The policies had been taken out on the instructions of Mr Robert Maxwell.

Bigger loss at Trade Indemnity

Trade Indemnity, the UK trade credit insurer, announced an increased pre-tax loss of £46.6m ($80.7m) for 1991, compared with £28.8m in 1990, and is passing the dividend for the first time in its 74-year history. **Page 28**

Gloom amid Singapore's sparkle

Most investors would be happy to put money in the stock market of a country where the economy is predicted to grow at up to 6 per cent this year and where brokers forecast average corporate earnings growth of around 15 per cent. Not so the glum speculators of Singapore. **Back Page**

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Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Asko Prf	770	+	25	BIC	674	+	14
Bilfing Berg	1069.9	+	19.9	CSIP	1239	+	32
Colonia Prf	599	+	7	Credit Nat	1116	+	28
Schmalbach	539.8	+	23.3	Gal Lafayette	1750	+	150
Falls				**Falls**			
Hapag Lloyd	535	−	10	Accom	751	−	16
Sud Chemie	550	−	10	Imm De France	880	−	31
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
A & P	33¾	+	3¾	Marazen	945	+	70
Am T & T	39⅞	+	⅞	**Falls**			
INB	43	+	7	Chori	440	−	100
Falls				Iseki	310	−	45
Chambers Dev	11¾	−	19¼	Kos Oil	491	−	69
Chem Waste				TYK	440	−	61
Man	20	−	⅜	Tobishima	586	−	89
Fed Express	51⅝	−	3⅝				

New York prices at 12.30.

LONDON (Pence)							
Rises				Eurocopy	55	−	10
Christies Intl	131	+	9	Grasby	208	−	10
Midland Bank	340	+	11	Heath (CE)	418	−	21
Park Food	113	+	10	Higgs & Hill	74	−	8
Renold	83	+	5	MTM	90	−	7
Serif Cowells	3½	+	1⅝	Merivale Mre	85	−	10
Try	58	+	3	Mosaic Invs	120	−	86
Falls				Porter Chadbn	39	−	5
Automated Sec	102	−	31	Suter	115	−	5
BET	142	−	10	Thames Water	341	−	13
Colorgraphic	44	−	3	Trade Indmnty	30	−	13
Dale Elect	82	−	10	Unitech	170	−	18
Dart	88	−	6				

Robert Hood: "optimistic"

US group's plans for new jet hinge on speedy deal with Taiwanese Aerospace

McDonnell Douglas plans rival jumbo

By Paul Betts, Aerospace Correspondent

MCDONNELL Douglas, the US aerospace and defence group, is anxious to conclude an agreement to sell up to 49 per cent of its Douglas commercial aircraft subsidiary to Taiwan Aerospace and other potential equity investors by the end of this year to enable it to launch a new $4bn-$5bn jumbo aircraft programme.

Mr Robert Hood, president of the Douglas subsidiary, said in London yesterday it was important for the company to secure a launch decision for its 400 to 600-seater MD-12 aircraft programme this year to ensure first deliveries in 1997.

The longer-term future of Douglas as a commercial aircraft manufacturer largely depends on its ability to secure financial backing from new investors to expand its product range.

Although the company had originally envisaged building a larger three-engined derivative of its MD-11 tri-jet, Mr Hood confirmed Douglas was studying the development of a four-engine or possible a twin-engine jumbo. The initial model would probably involve a 400-seater aircraft to compete against the Boeing 747-400 jumbo, but the aircraft *was likely to spawn larger deriva*tives, including a 600-seater.

The MD-12 programme is part of Douglas's strategy to develop a broader family of aircraft to compete against the wider product ranges of its two rivals, the US Boeing company and the European Airbus consortium. Douglas manufactures products in only two of the main aircraft markets, whereas Boeing and Airbus offer products in five different markets.

However, this strategy hinges on finding partners to invest in the Douglas commercial aircraft *subsidiary and to participate in* its MD-12 and other programmes.

Mr Hood said Douglas was hoping to reach an agreement in the next few months with China to manufacture its 150 to 170-seater MD-90 twin-engined aircraft as well as developing, with the Chinese, a smaller 100-seater MD-95.

Although Mr Hood was "optimistic" about the outcome of the negotiations with Taiwan Aerospace, the timing and structure of the deal remained *uncertain*.

China Steel, the Taiwanese state-run company which could acquire a big stake in Taiwan *Aerospace, is heading a Taiwan* team studying the Douglas equity investment deal. On completion of its study, Taiwan would say whether it wanted to continue negotiations, Mr Hood said.

Under an initial agreement signed last November, Taiwan is considering acquiring between 25 per cent and 40 per cent of Douglas. Mr Hood said the US company was also talking to other potential equity investors with *the aim of selling up to 49 per* cent of the Douglas subsidiary.

Pechiney to buy offshoot's metals side

By William Dawkins in Paris

PECHINEY, the French state-controlled aluminium and packaging group, is buying the metal interests of its international arm, listed on the Paris bourse, the latest step in the financial reshaping of the public sector.

The finance ministry has given its go-ahead for Pechiney International, 25 per cent quoted on the stock market, to sell its aluminium smelting and trading businesses to its parent, Pechiney, owner of the remaining 75 per cent.

The project aims to improve Pechiney International's lacklustre *share price performance by* separating it from the volatile aluminium industry — where prices have plunged — and to reduce debts of FFr16bn, almost 1.2 times shareholders' funds.

Pechiney International's aluminium and trading assets could be worth between FFr5bn to FFr7.4bn, according to Salomon Brothers, the US securities house.

Pechiney International, which groups most of the company's foreign interests, will end up with 85 per cent of its turnover in packaging, where it is the world leader, and the rest in aerospace components.

Aluminium and trading accounted for 17 per cent of Pechiney International's FFr44.9bn sales last year, with 70 per cent in packaging.

The Pechiney parent company, 80 per cent state-owned with most of the rest held by state financial institutions — will end up with all the group's aluminium activities.

Clearance for the scheme marks the state's support for the strategy of Mr Jean Gandois, whose second three-year mandate as chairman comes up for renewal in July. He has been preparing the asset reorganisation over the past six months.

It is also the latest example of the French government's growing pragmatism over the financing of its extensive industrial portfolio, coming after the recent sales of small stakes in Elf Aquitaine, the oil and gas group and Crédit Local de France, the local *authority bank*.

"This operation comes as part of Pechiney's strategy, which consists of taking part... in the strong growth of the packaging market. This implies a large and steady investment effort," said the finance ministry.

Company officials said the reorganisation would take place "as soon as possible" after evaluations of Pechiney International by Lazard Frères, working for the Pechiney parent and by Goldman Sachs, representing the subsidiary.

Pechiney International's share price rose 3.9 per cent to FFr198.6 yesterday, just ahead of the FFr196 at which the group was floated in April 1989.

Pechiney International was floated three years ago to raise cash to buy American National Can, the leading US packaging group, which Mr Gandois bought as an earner to counterbalance the cyclical aluminium business.

Water sale would help Femsa shareholders meet bank payment

Cadbury Schweppes in Mexico drinks deal

By Jane Fuller in London and Damian Fraser in Mexico City

CADBURY Schweppes, the confectionery and soft drinks maker, is buying Mexico's leading bottler and distributor of mineral water for $325m, in one of the largest acquisitions of a Mexican business by an overseas company.

Aguas Minerales is being bought from Fomento Economico Mexicano (Femsa), Mexico's largest beverage business. Aguas Minerales is the group's third largest subsidiary, with sales of $129m last year, compared with the group's sales of $1.92bn.

Mr Pablo Riveroll, an analyst with Baring Research, said the sale would lift a cloud hanging over Femsa since October when its shareholders, along with separate regional investors, bought a controlling stake in Bancomer, Mexico's second largest bank, for $2.88bn after accounting for accrued interest.

The Femsa shareholders took out a $600m bridge loan secured against Femsa's assets to meet an early payment on the bank, over half of which they will now be able to pay back. On Monday Grupo Financiero Bancomer announced it had successfully placed $837m of stock in Mexican and international markets, which will enable the group to meet a final payment on the bank.

Cadbury is buying three brands of plain and fruit-flavoured mineral water — Peñafiel, Balseca and Etiqueta Azul, which are estimated to have 68 per cent of Mexico's mineral water market. The business has five bottling plants with wells and last year made a pre-tax profit of 68.2bn pesos ($22.4m) on sales of 388.4bn pesos.

To help fund the purchase, Cadbury is raising £145m ($255m) in a share placing that will expand its equity by about 5 per cent. The issue is priced at 425p a share, compared with yesterday's close of 433p, down 10p.

Cadbury is buying Aguas Minerales at 26 times after-tax profit in 1991, but estimates the multiple will fall to 17 this year. Earnings dilution is expected to be marginal this year and just more than 1 per cent next year because of the tax impact.

Mr David Jinks, finance director, said the effect on the balance sheet of finding the remaining £42.9m purchase sum, the share placing and a £100m goodwill write-off would be to raise gearing from 39 per cent to 42 per cent. Over the year, net debt was expected to rise from £333m to about £440m, including other acquisition spending.

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Colin Beere

Good health: Dominic Cadbury (left), group chief executive, and Frank Swan, managing director of the beverages division, celebrate the purchase with a glass of water

Lloyds Bank angry after Midland rejected takeover

By Robert Peston in London

LLOYDS Bank is furious with Midland Bank following its decision to reject a takeover proposal after two months of negotiations.

On Tuesday, Midland announced that it had agreed to be bought by Hongkong and Shanghai Banking Corporation in a deal which is likely to create a transcontinental bank with a market value of £8bn ($14bn). But it emerged yesterday that only two weeks earlier Midland said it did not wish to be bought by Lloyds. The two had been negotiating since January.

The talks were the initiative of Lloyds' chief executive, Mr Brian Pitman. "He thought he had reached agreement with Midland," said a financier with a close knowledge of the negotiations. "He was deeply disappointed when Midland said it was no longer interested."

Another banker commented: "Mr Pitman is not in the best of moods."

One banker close to Lloyds said he did not believe the bank would now make a hostile bid for Midland.

The Bank of England was kept informed of the talks and raised no objection to an agreed takeover of Midland by Lloyds. However, the Bank advised Lloyds and Midland that they might face difficulties persuading the competition authorities in Brussels and the UK to sanction the deal, because a combination of the two banks would create a very powerful force in the UK banking market.

The negotiations were conducted by Sir Peter Walters and Mr Brian Pearse, respectively chairman and chief executive of Midland, and by Sir Jeremy Morse, chairman of Lloyds, and by Mr Pitman. Midland was advised by the merchant bank S. G. Warburg and Lloyds by Baring Brothers.

A banker close to Midland said yesterday that it decided to reject Lloyds' advances having been given advice by legal counsel that the competition authorities were likely to block a bid.

Another banker said that Mr Pearse was also concerned at the impact on morale within Midland of a deal with Lloyds. Mr Pitman's prime goal in buying Midland was to cut the costs of the combined operations by closing high street branches, shutting one of the banks' head offices and shedding staff.

Analysts estimate that staff cuts of at least 20,000 could be made if Lloyds and Midland were joined together.

European insurers to pool assets

By Richard Lapper in London

FRIENDS Provident, the mutually owned life and pensions group, yesterday put the finishing touches to a deal which could ultimately lead to its merger with three medium-sized North European insurers.

Friends agreed with Wasa, Sweden's third biggest life insurer, Avero Centraal Beheer, the second largest Dutch general insurer, and Topdanmark, Denmark's third biggest general insurer, to pool its non-domestic assets into Eureko, an Amsterdam-based holding company jointly owned by the four companies. Eureko's initial assets of £450m ($779.6m) are modest, but together the groups will constitute the 25th biggest European insurer.

Mr Carl Hedlund, chairman of the supervisory board, said all the partners were committed to "something much more concrete than a marketing alliance or partnership". Warning of possible encroachment by larger predators, Mr Hedlund said: "We must have a strategy to safeguard our future at an international level.

"We have structured Eureko to be long lasting," he said, adding that it would be difficult for any of the partners to break the alliance.

The deal, which was agreed in outline late last year, follows a similar move by Royal Insurance, AMB of Germany and Fondiaria of Italy to create a jointly-owned European holding group.

The partners aim to invite other companies to join them in building a broader pan-European grouping.

Preliminary contacts have already been made with a number of companies in France and Germany which, like the existing partners, have a mutual background.

Eureko will acquire shareholdings in AVCB, Topdanmark and Wasa of at least 10 per cent, while Friends will acquire a 51 per cent share in Topdanmark's UK subsidiary, Top UK, in a transaction valued at around £20m. Morgan Grenfell, the merchant bank, is conducting valuations of the assets to be injected into Eureko, with the transfers taking place in August.

Top UK is a direct motor insurer, selling insurance via mass media advertising and telephone. *Topdanmark and AVCB* support direct sales techniques, which avoid using brokers.

The Top UK deal signals Friends' re-entry into the general insurance field in the UK.

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ABB unveils 3% advance as restructuring continues

By Andrew Baxter in Stockholm

ASEA BROWN Boveri, Europe's biggest electrical engineering group, has announced a 2 per cent improvement, to $1.15bn, in 1991 pre-tax profits after financial items. It pledged to continue restructuring efforts this year.

The result underlines the extent to which ABB is being tested by recessionary conditions in 60 per cent of its business. It had said at the half-year stage that full-year profits should at least match those of 1990.

Operating earnings after depreciation rose 7 per cent, from $1.79bn to $1.91bn, while net income edged up 3 per cent from $590m to $609m. Orders received rose 1 per cent to $29.6bn, while revenues increased 8 per cent to $28.9bn.

Mr Percy Barnevik, president, said the severity of the recession varied from "light" in mainland European countries such as France, to "fairly deep" in the Nordic countries, with the English-speaking countries in between.

Growth in countries such as Germany, and in parts of Asia, had offset lower order intake in some recession-affected markets. In the UK, the group increased earnings, helped by a good performance in infrastructural business sectors, which are normally less affected by recession.

On the outlook for 1992, Mr Barnevik said ABB expected a slow recovery in recession-affected markets. He also foresaw a further decline in demand and intensified pricing pressure.

However, in most of its infrastructure-related business, accounting for the remaining 40 per cent of the group, the impact of the recession would be smaller, and demand in several developing countries was expected to remain high.

Overall, therefore, earnings after financial items this year are expected to be about the same as this year.

Net debt was cut by about $1bn last year, and ABB would continue balancing non-recurring restructuring costs with gains from asset sales.

Earlier this month, the group announced it would try to sell its global instrumentation business, based in the UK. Mr Barnevik said a couple of other "pieces" might be sold, but he did not foresee any huge divestitures.

SSAB to kick off Swedish flotations

By John Burton in Stockholm

THE SWEDISH government yesterday announced that the steel company SSAB would be the first of 35 state companies to be sold into the private sector.

The state owns 60 per cent of the voting rights and 48 per cent of the equity in SSAB, which has been listed on the Stockholm bourse since 1986. The publicly-held shares are largely owned by domestic institutional investors.

The state sale will be conducted through the issue of convertible debentures with an option to redeem them for SSAB shares by the beginning of 1994. A price has not yet been set for the issue, but the government hopes to raise between SKr1.5bn ($248m) and SKr2bn through the sale, which will be handled by Handelsbanken Fondkommission.

A prospectus will be issued in May.

About half the debentures are expected to be reserved for Swedish and foreign institutional investors to guarantee that SSAB will have a stable ownership structure. The rest will be offered to SSAB employees and the general public.

Mr Per Westerberg, the industry minister, said SSAB was too small to be offered through a share issue to the general public. The government, however, was determined to encourage widespread ownership for bigger state companies scheduled for privatisation.

The use of convertible debentures is designed to assure investors that they will get a guaranteed yield on their investment. The government was concerned that the 77 per cent fall in earnings, to SKr218m, for SSAB last year might deter investors if there were a direct share issue now.

● Arbed, the Luxembourg steel manufacturer, will buy the main assets of former east German steel-producer, Maxhutte Unterwellenborn, after approval from the Treuhand, the German agency supervising the sell-off of assets.

BAT to pay uncovered dividend

By Maggie Urry in London

BAT Industries, the tobacco and financial services group, yesterday announced an 8 per cent increase in its annual dividend, although the payment will not be covered by earnings per share, which rose 21 per cent.

The group reported pre-tax profits up from £945m ($1.6bn) to £1.05bn for 1991 which Sir Patrick Sheehy, chairman, described as a "year of recovery".

Sir Patrick said the dividend rise showed a "continuing commitment to dividend increases substantially in excess of the rate of inflation".

He expected the 1992 dividend would be covered by earnings.

BAT's aim was to rebuild dividend cover to 2. The shares rose 6p to 660p in London.

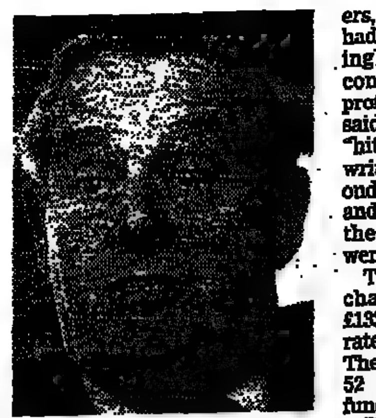
The proposed final dividend of 11.2p, up from 10.4p, gives a total for the year of 33.6p, up from 31.1p, while earnings per share were 27.9p, up from 23p.

BAT is reverting to paying two dividends a year, rather than three, as it did until 1989. The interim will be declared in July and is expected to make up be 40 per cent of the total.

BAT's tobacco business made record trading profits of £1.08bn, a 14.2 per cent increase. Cigarette volumes worldwide increased by 3 per cent, taking BAT's world market share to 10.5 per cent.

BAT gained market share in the US, and exports to Asia and eastern Europe were strong. Souza Cruz, the Brazilian subsidiary, returned to profit in the second half after the government allowed price increases. However, the Argentine business was unprofitable because, BAT said, it was the victim of a $38m tax fraud.

The financial services side was hit by difficult trading conditions in Eagle Star's general insurance business, offsetting good performances from Farmers, the US insurance group, and Allied Dunbar, the life and pensions subsidiary. General business incurred fell into a trading loss of £22m from a profit of £145m, while the life business made a profit of £254m, up from £234m.


Sir Patrick Sheehy: 'a year of recovery'

Sir Patrick said that Farmers, acquired in 1988 for $5.2bn, had proved to be "an outstandingly successful investment" contributing $200m to 1991 profits after financing costs. He said he thought Eagle Star had "hit bottom" with the underwriting result better in the second half of 1991 than the first and some signs that claims on the domestic mortgage side were reducing.

The group's net interest charge fell from £210m to £133m, helped by lower interest rates and sales of investments. The group's net debt stood at 52 per cent of shareholders' funds at the year end.

BAT had to write off £85m of unrelieved advance corporation tax (ACT) in 1991, which kept the tax charge high at 54 per cent, up from 55½ per cent. Sir Patrick said BAT would try to counter the ACT problem by restoring profitability at Eagle Star and by making more cigarettes in the UK for export.

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BBL insurance talks left open

By Andrew Hill in Brussels

DIRECTORS of Banque Bruxelles Lambert have acted to dampen speculation about its strategy in the insurance business. It announced yesterday that it was open to insurance collaboration with any of BBL's large shareholders, as long as they met certain criteria.

The bank yesterday held a board meeting – billed as "D-Day for BBL" in one Belgian newspaper – to decide between two proposals on collaboration in the lucrative area of "bancassurance" from rival insurer-shareholders.

However, it neither accepted nor rejected the two sets of proposals, one from Internationale Nederlanden Groep (ING), and one from Royale Belge and Winterthur of Switzerland.

Instead, BBL said it would create an insurance subsidiary, specialising in car and fire cover, to add to its existing life insurance subsidiary. Prospective partners would be able to take a stake in the new company, but BBL would retain control.

Since last month, when the bancassurance talks began to attract attention, BBL has been at pains to stress that commercial links should be considered separately from any movement in its fragmented share register.

"The bank is negotiating with the insurance companies to act together in the insurance field," a spokesman said.

Royale Belge, together with its controlling shareholder – the French insurer, UAP – owns 11.72 per cent of BBL, and Winterthur has 4.78 per cent. ING, which controls 8.6 per cent, has never commented on rumours that it wanted to bid for the whole of BBL.

Bayer expects 4% sales increase

By David Waller in Frankfurt

BAYER, the German chemical group, said operating profits in the first two months of this year were slightly below expectations, and it expected them to end close to last year's DM3.18bn ($1.93bn). Sales this year are likely to climb 4 per cent to DM44.4bn.

The remarks by Mr Hermann Strenger, chairman, come only days after Bayer announced the best 1991 result of the big three German chemical companies.

With a drop in pre-tax profits of 5 per cent, to DM3.21bn, compared with a fall of over 20 per cent at BASF and Hoechst, Bayer alone has decided to hold its 1991 dividend at the same level as last time's.

Bayer disclosed yesterday that operating profits for the group dropped by 10.5 per cent to DM3.18bn last year, reflecting poor conditions in the chemicals industry. Last year, profits in polymers, organic products and industrial chemical products dropped by 31, 56 and 43 per cent respectively.

Mr Strenger blamed the decline in profits on increased costs which could not be passed on to customers because of tougher competition in world markets.

Total profits were held up at higher levels than those of its German competitors because of Bayer's greater exposure to the non-cyclical pharmaceutical sector. Health products accounted for DM8.8bn of group sales of DM42.4bn last year – 21 per cent of the total – but generated profits of DM1.74bn, an increase of 11 per cent on the previous year.

UAP expands into US with Kember deal

By Alice Rawsthorn in Paris

UNION des Assurances de Paris (UAP), the largest French insurance group, has established a foothold in the US by extending its relationship with Kemper, the Illinois-based insurance concern.

The two have signed an agreement of co-operation which will involve Kemper servicing UAP's clients in the US. The deal represents the French group's first foray across the Atlantic.

UAP said yesterday it did not envisage any equity participation with Kemper. The two groups already have a four-year-old European joint venture to service high-risk clients such as nuclear power centres and chemical companies.

The agreement comes at a time when French insurers are taking advantage of the problems of their US and UK competitors to expand internationally. Association Générales des Assurances(AGF), which is, like UAP, a state-controlled group, recently ran into controversy over its plans to expand in Germany.

Italcable slips after tariff cuts

ITALCABLE, Italy's state-owned international telecommunications carrier, reported a 19.7 per cent fall in net profits to L132.7bn ($106.84m) last year, from L165.3bn in 1990, writes Haig Simonian in Milan. However, it is maintaining its dividend at L230 an ordinary share and L250 a savings share.

The downturn was expected after an average 20 per cent cut in international phone tariffs introduced in January 1991.

Single bidder for Petrogal

A CONSORTIUM comprising Total of France and leading Portuguese companies, including the Espirito Santo group, has emerged as the only bidder for Petrogal, the state-owned oil group valued at Es131bn ($916m), writes Patrick Blum in Lisbon.

The timetable for offers closed on March 17, and a jury will now have to consider the consortium's bid for an initial 25 per cent of the company. The starting price for bids was Es1,700 per share. If the consortium's offer is acceptable, the government is expected to approve the sale soon.

Another consortium, led by DuPont of the US, dropped out of the bidding.

Under conditions set out for Petrogal's privatisation programme, the consortium will have to buy another 26 per cent stake in the company within nine months, at the same price per share paid for the initial 25 per cent. This will bring the consortium's holding to 51 per cent.

Elkem president resigns after reshuffle

By Karen Fossli in Oslo

MR FREDRIK Vogt Lorentzen, president of Elkem, the loss-making Norwegian metals producer, has resigned after four years in the job.

Mr Vogt Lorentzen's departure comes less than two months after a board reshuffle which involved Orkla and Saga Petroleum – Elkem's two biggest shareholders – tightening their grip on the company.

Last month, Elkem announced a 1991 pre-tax loss of NKr528m ($160.38m), compared with a loss of NKr659m in 1990. The company also passed its dividend.

"Two years with extremely difficult market conditions have contributed to the fact that I have not reached my stated goal of achieving a profit at the bottom of the business cycle," Mr Lorentzen said yesterday.

"At the same time, the effort to reach this goal has significantly drained my own strength," he added.

At the time of the January board changes, Mr Finn Jebsen, Elkem's plain-speaking chairman, said closer co-operation among the board, the owners and the corporate management would be needed to improve the company's operations and future results.

Elkem said Mr Ole Enger, currently vice-president, would become acting president.

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A slice of faith in the Chinese bureaucracy

Simon Holberton on the first state enterprise in which Beijing has allowed foreigners to own shares

FOR the past decade, China has had its door open to foreign investors. Last month, that door opened a little wider when, for the first time since the communists took power in 1949, the authorities allowed foreigners to own and trade shares in a Chinese company.

That company, Shanghai Vacuum Electron Device Company, makes television tubes for the domestic television industry.

Shanghai Vacuum is not a company in the way a westerner might use or understand the term. Its origins date back to 1917, but the company today is the result of a six-way merger in 1987, which brought together much of Shanghai's TV tube-making capacity.

The closest analogy might be with British Coal in the heyday of nationalisation; but that, too, fails to capture the company/state relationship that still exists in China today.

Although foreign investors have bought a slice of a "company" called Shanghai Vacuum, what they have really acquired is a slice of faith in China's bureaucrats.

The management of TV production in Shanghai is split between those who operate the company's factories and the Shanghai Instrumentation and Electronic Industry Bureau. It is responsible for determining production capacities, output and marketing strategies of the companies it supervises, one of which is Shanghai Vacuum.

Administratively, the bureau is a division of the Shanghai Economic Commission, which in turn reports to the city's municipal government. The bureau also has a direct reporting relationship with the Ministry of Electronics Industry in Beijing on technical matters and receives market information from the ministry.

China is the country which invented and refined bureaucratic government. It should come as no surprise, therefore,

Shanghai Vacuum is not a company in the way most westerners understand the term

that a by-product of this today is intense competition between bureaucrats. Selling TVs in China is a curious mixture of co-operation and competition between regional governments, which Beijing presides over with either apparent detachment or just plain impotence.

Mr Rolf Gerber, managing director of SBCI Finance Asia, who wrote the company's prospectus, found out about the bureau's existence through a conversation with executives of Shanghai Vacuum. At a five-hour dinner at the end of last year he met the bureau's director who told him how the system worked.

The bureau consists of 10 industry sectors and supervises 176 state enterprises and eight research institutes. It competes with other regional bureaux in China and the companies under their supervision in terms of products, turnover, market share and quality.

The Shanghai bureau ranks first in China in terms of sales and production. Last year, its companies turned over Yn7bn ($1.27bn) and produced output with a value of Yn8.5bn.

The bureau keeps in close touch with the products its companies make. It has an in-house research capacity, meets regularly with wholesalers and retailers, and has access to its companies' market research departments.

The bureau not only knows a great deal about the TV market but it also knows how to sell TVs, which it does throughout China. Its sales force is supported by a computer-linked system with wholesalers and significant retailers. It also operates a nation-wide service network.

While the bureau practices free trade in China it is decidedly mercantilist in Shanghai. It claims 100 per cent of the Shanghai market for itself by virtue of a municipal regulation which requires all TVs in Shanghai to contain Shanghai Vacuum's tubes and be built by Shanghai-based assemblers.

This makes Shanghai Vacuum the closest thing to a one-way bet on just about any stock exchange in the world. It has guaranteed customers for its output at prices over which it has a fair degree of control.

But what does Shanghai Vacuum look like to a western accountant? Arthur Andersen, the US firm of accountants, had to wade through acres of Chinese financial statements and attempt to reconcile their data with accepted western accounting standards.

For example, mainland Chinese companies do not consolidate their accounts; they do not make provisions for bad or doubtful debts; they do not account for exchange rate fluctuations; and use depreciation schedules ranging from 30 to 50 years for plant and machinery.

The accountants were unable to provide a source and application of funds statement because, as the Shanghai government accountant said: "Normal banking practices in China are that many of the company's borrowings do not have fixed maturities or repayment schedules."

Mainland companies' business practices would send most western companies into receivership. Shanghai Vacuum's standard terms of sale provide for payment within three to nine months after delivery. Even then, retailer are loathe to pay their bills.

At the end of September, the company's accounts receivable stood at Yn137m. As the prospectus observes: "This has been caused by state-owned retailers, which are under the direct control of the Bureau of

It has guaranteed customers for its output, at prices that are largely under its control

Commerce, are delaying payment to the TV set manufacturers, using the cash-flow to expand their own businesses."

By taking foreign capital Shanghai Vacuum is able to redefine itself as a "joint venture" company for Chinese tax purposes. It is also relocating its corporate headquarters to the Pudong district of the city which has been designated for special treatment.

The upshot of these developments is that the company's tax rate will fall from 55 per cent to 15 per cent.

The change in status will also allow the company to pay its employees more and change the basis upon which it employs them from the current cradle-to-grave terms and conditions to fixed-term contracts. Theoretically, the move should allow it to shed surplus labour and improve productivity.

There is a need for rationalisation. With a workforce of more than 15,000, Shanghai Vacuum made an estimated loss of Yn89m last year. But the jewel in its crown, a joint venture company known as Novel, which produces colour television tubes, made an estimated profit of Yn168.8m with a workforce of 1,900.

The new joint venture status just might give the managers of Shanghai Vacuum's factories the justification they need to make the hard, and so far avoided, decision about shedding labour.

It can now fairly claim that its ability to raise capital from in the future will depend not on its novelty of being the first Chinese company in the international equity market, but on its results.

Henderson Land slips 12.4% to HK$1.38bn

By Simon Davies in Hong Kong

HENDERSON Land Development, one of Hong Kong's leading residential property developers, announced a 12.4 per cent drop in net profit for the six months to December to HK$1.38bn ($178.3m), compared with HK$1.58bn in the year-earlier period.

The decline came from a reduction in the number of developments completed in the first half of the year. However, the company forecast a "satisfactory" increase in profit for the full year.

Henderson completed five developments in the first half of its financial year, but it has already commenced pre-sales of a further 15 projects.

Turnover declined by 23 per cent to HK$2.5bn at the interim stage, due to the reduction in property sales, but there was an increase in investment income, particularly from its portfolio of shopping centres.

Its two associate utility companies – Hong Kong and China Gas and Hong Kong Ferry – also reported strong profit growth.

The company said that "with local interest rates presently staying at a level below inflation rate, the public is generally keen to acquire residential properties as a hedge against inflation and the property market is likely to remain active."

The company recommended an interim dividend of 19 cents, compared with 16 cents in 1990.

JVC to cut product range

VICTOR Company of Japan (JVC) plans to reduce its range of products, increase outside component sales and lengthen product cycles to fight back against the effects of the consumer electronics slump, Reuter reports from Tokyo.

Almost half of JVC's sales are in videotape recorders, a flat market. In February, JVC forecast a parent pre-tax loss of Y2.8bn ($21m) and a group pre-tax deficit of Y4.4bn for the year to the end of March. It would be its first loss in 40 years.

To trim design and development costs, it plans to reduce the number of its products by 20 to 30 per cent by eliminating products that are considered too similar to others.

JVC will also sell more components – such as the magnetic heads used in videotape recorders – to other manufacturers, and produce more components internally for its own use.

Key Honda executive resigns

By Steven Butler in Tokyo

MR SOICHIRO Irimajiri yesterday resigned his position as executive vice-president of Honda Motor, the Japanese car and motorcycle maker, for health reasons.

Mr Irimajiri, 52, was one of three leading executives at Honda responsible for a sweeping management reform at the company which was initiated last year. He was also a key architect of the expansion of Honda's US manufacturing facilities, serving as president of Honda of America Manufacturing from 1984 until 1988.

Mr Irimajiri also resigned his position as president of Honda R&D, although he remains on the board of directors of both Honda Motor and Honda R&D.

It was undecided whether Mr Irimajiri would remain on the board of the Rover Group, in which Honda holds a 20 per cent stake.

Mr Irimajiri was understood yesterday to be in a state of exhaustion and was receiving treatment in hospital.

His executive responsibilities are to be assumed by other Honda directors.

Korean debt to equity ratios rise

THE average debt to equity ratios of listed South Korean companies rose by 23.1 percentage points to 241.7 per cent in 1991 due to tight liquidity, according to a survey conducted by the Daewoo Research Institute (DRI), Reuter reports from Seoul.

The survey covered about 400 of the 528 listed companies with fiscal years ending on December 31.

DRI said Hanyang topped the list, recording a debt to equity ratio of 3,294.5 per cent. Aggregate turnover of the 400 companies in 1991 increased to Won131,260bn ($171.35bn) from Won109,950bn a year earlier.

Daewoo Corporation, the trading arm of the Daewoo group, had recorded the largest sales of Won6,400bn in 1991 from Won5,250bn in 1990, the survey showed.

Samsung, which led the turnover charts in 1990, was not included in the survey as it has yet to hold a shareholders meeting. Samsung recorded a turnover of Won7,950bn in 1990 from Won7,610bn a year earlier.

Brierley and GPG reduce joint offer for ACIL

BRIERLEY Investments (BIL), the New Zealand investment and trading group, and its UK-based associate, GPG, plan to reduce their joint offer for Australian Consolidated Investments (ACIL) to 20.5 Australian cents a share from 23 cents a share, AP-DJ reports from Sydney.

Sir Ron Brierley said in a letter to ACIL that the proposed takeover offer was being reduced because the target company last week announced an agreement to pay A$14m (US$10.6m) to settle a claim from the liquidators of Spedley Securities.

Sir Ron wrote on behalf of Rossington Holdings, a company jointly-owned by BIL, his former investment company, and his new investment vehicle, GPG. BIL owns 40 per cent of GPG.

Sir Ron said ACIL's payout was inconsistent with previous indications that the Spedley claims were "tenuous as best."

He said the "gratuitous capitulation" by ACIL seemed like "gross incompetence" by the directors.

Sir Ron said the 2.5 cents-a-share reduction in the offer price brought the value of the bid down A$14m. He said Rossington had applied to the Australian Stock Exchange for the necessary approvals to lower the proposed bid.

Arab Banking moves into the black with $90m profit

ARAB Banking Corporation (ABC), the biggest international Arab bank, posted a $90m pre-tax profit in 1991 compared with a pre-tax loss of $47m in the previous year, Reuter reports from Manama.

"The turnround was reflected in the healthy trend towards the growth and diversifications of non-interest income, which jumped by 56.5 per cent from $168m in 1990 to $263m at the end of 1991," the bank said.

"This more than compensated for the slight decline in interest income resulting from the prevailing low-interest rate environment," it added.

Operating income rose to $622m from $555m the previous year. Total assets dropped slightly to $20.45bn against $20.55bn.

Operating profit before provisions, tax and minority interests rose to $213m against $153m.

The bank allocated $102m for possible loan losses in 1991 compared with $179m the previous year.

Deposits from interbank markets increased to $6.3bn from $5.7bn in 1990.

Customers' deposits fell to $10.5bn compared with $10.9bn a year earlier.

ABC, which is owned mainly by Kuwait, Abu Dhabi and Libya, became the first Gulf-based Arab bank to offer shares to investors on the open market with a $350m issue in June 1990.

Saudi Arabian private investors now hold 6.5 per cent of its shares and international investors own 15 per cent.

Asahi Chemical lowers forecasts

ASAHI Chemical Industry, a leading Japanese manufacturer of synthetic fibres, has lowered its group pre-tax profit forecast to Y68bn ($511m) for the year to March. Last May, it forecast pre-tax profits of Y100bn, against an actual pre-tax profit of Y94.44bn in 1990-91, Reuter reports from Tokyo.

It sees group net profit of Y31bn on expected sales of Y1,310bn in 1991-92, down from its May forecast of Y45bn on sales of Y1,420bn. It posted group net profit of Y42.69bn in 1990-91 on sales of Y1,300bn.

It said it expected parent pre-tax and net profits to fall around 20 per cent each from its earlier forecasts of Y66bn and Y35bn respectively.

Bankers Trust has acted as exclusive financial advisor on over half of the major privatisations completed to date in the Czech Republic.

If you would like to learn more about our privatisation expertise in the Czech Republic or elsewhere, contact Alasdair Dundas, Managing Director, Mergers & Acquisitions, in London on 071-982 2755 or write to Bankers Trust International PLC, 1 Appold Street, Broadgate, London EC2A 2HE.

Bankers Trust International PLC

Member of the Securities and Futures Authority

Mobil to cut its capital spending plans by $1bn

By Alan Friedman in New York

MOBIL, the US oil and gas group, yesterday announced plans to cut its 1992 capital expenditure appropriations by $1bn because of the company's concern about the business environment in the energy sector.

Mr Allen Murray, chairman of Mobil, said the 1992 capital appropriations budget would be $4.8bn, instead of the $5.8bn anticipated. The cut includes $800m that would be deferred "unless business conditions improve".

The Mobil chief noted that "these are difficult times for the oil industry, with the slow pace of economic growth in much of the world having a substantial impact on all segment of our business".

Mr Murray said the company's US business, especially natural gas prices, had been weak. Coupled with the recent volatility in crude oil prices, this made it prudent to defer some investments for the time being.

Mobil stressed yesterday that by deferring investments it was not sacrificing long-term opportunities.

He noted, however, that the lag between a reduction in capital appropriations and actual spending generally takes several years. This meant that 1992 capital spending would be about the same as last year's, while the impact of deferred investments would be seen mainly beyond 1992.

Mobil, which last year reported unchanged net earnings of $1.9bn on revenues of $62.7bn, also said its restructuring plan was continuing and would include further reductions in overhead costs.

Mr Murray said the company would record a $75m charge for restructuring costs in the first quarter of 1992.

He added that discussions were under way for the sale of petrochemicals properties, including the polystyrene business in the US and the fuels business in Norway.

He said the company would also continue to sell off producing properties in the US that were "marginally attractive and have little upside potential."

Last year, Mobil sold about $600m of assets and acquired Exxon' downstream assets in Australia. Between 1986 and 1990, Mobil sold nearly $7bn of assets, Mr Murray said.

On Wall Street, Mobil's share price was marked $¼ lower yesterday, to $60.

● Esso SAF, the French subsidiary of Exxon of the US, said yesterday that its consolidated net profit after payments to minority interests rose by 61 per cent to FFr850m ($152.32m) in 1991, AP-DJ reports.

The gains reflected an improvement in refining margins and high production levels at the French company's refineries.

The company also said it would double its net dividend to FFr50 a share, from FFr25 a share last year, for a total payout of FFr596m.

Thomson declines to $292m

By Robert Gibbens in Montreal

THE LONG North American recession and lower newspaper advertising revenues dampened Thomson Corporation's performance in 1991.

The information-publishing group, which includes UK regional newspapers and specialised publishing in North America, recorded lower margins but Thomson Travel Group unit had an "outstanding year".

Overall, Thomson reported 1991 earnings of US$292m, or 53 cents a share, compared with $385m, or 70 cents, a year earlier. But before $67m amortisation of publishing rights applied in 1991 for the first time, per-share profit was 65 cents, against 70 cents.

Operating profit was $692m, down 4.7 per cent from 1990. Profits from aircraft sales were $5m, against $45m last time.

Thomson Newspapers sales dipped 1.4 per cent to $1.14bn. Improved circulation revenues, however, did not offset advertising losses, and operating profits dipped 19 per cent to $228m. The Ontario newspapers were worst hit.

Information-publishing sales rose 3.2 per cent to $2.4bn, while operating profit dipped 2.4 per cent to $363m. UK professional and business publications and UK newspapers were slightly lower, but the US-based book and reference group improved profit.

The financial services companies gained in sales, but margins remained under pressure.

Fourth-quarter sales for Thomson overall were little changed at $1.35bn. Earnings, after amortisation of publishing rights, were $83m, or 15 cents a share, also little changed from 1990.

UK offshoot shows 38% advance

THOMSON Travel Group, Thomson's UK-based travel subsidiary, saw full-year pre-tax profits rise 38 per cent to £70.2m ($123.6m), writes Michael Skapinker, Leisure Industries Correspondent.

Although the UK travel industry was hit by the Gulf war, Thomson, Britain's biggest holiday company, benefited from the collapse last year of the International Leisure Group (ILG), its largest competitor.

Thomson – whose interests include package tours, Britannia Airways and Lunn Poly, the UK's biggest chain of travel agents – announced sales revenue up 10 per cent to £1.16bn.

Operating profit and interest rose 61 per cent to £68.8m while profits from aircraft disposals fell to £2.9m from £25m in 1990.

Profits from tour operations more than trebled to £37.5m. Although the figure of 3m holidays sold was the same as in 1990, a reduction in price discounting led to an increase in gross margins.

Profits from Britannia Airways rose 8 per cent to £23.9m before aircraft disposals.

Lunn Poly's profits fell 16.7 per cent to £8m after a £2.3m provision to cover losses following the collapse of ILG. Lunn Poly expects to cover this amount this year from the bond put up as security by ILG.

US groups in German move

By Leslie Colitt in Berlin

TWO US electronics companies are to revive the heart of east Germany's electronics industry which Siemens, the German electronics group, regarded as being beyond saving.

Both companies are getting their stakes without payment, but will later transfer know-how and technology.

LSI Logic of California agreed with the Treuhand privatisation agency to take a 19.8 per cent share in Mikroelektronik of Erfurt, with the remaining stake going to the Thuringian Landesbank, which has yet to be formed. The Treuhand agreed to invest DM125m ($76.2m) in the new company to cover expected losses and modernisation.

It will also provide the site for a factory to produce Asics integrated circuits.

VLSI Technology, another California company, will take a 19.8 per cent share in Mikroelektronik Dresden. An unnamed private bank is to hold 49 per cent, and an investor, still to be found by the state of Saxony, will get the remainder.

The Treuhand said it would give the new company DM125m for R&D and production of integrated circuits. The Dresden company expects sales this year of DM22m to rise to DM91m by 1994.

The east German electronics industry, developed at enormous cost by the Communists to produce obsolescent chips and computers, was considered the most difficult industry to save. Employing 22,000 people in 1988, it is down to fewer than 4,000 employees. The Treuhand said more than 1,500 jobs were to be retained under the new plan, approved on Tuesday by the managing board.

Mr Franz Wauschkuhn, a Treuhand spokesman, admitted the new electronics ventures were a very "shaky affair".

He said the Treuhand agreed to set up the joint ventures as a result of "political pressure" from the state governments where the electronics companies were located. The states had previously refused to invest money in the Treuhand's MTG electronics holding company, which had losses last year of DM327m on sales of DM78m.

NBD in $876m banking takeover

By Alan Friedman

NBD Bancorp, the Detroit-based banking group that operates 457 branches in the midwest, agreed yesterday to acquire the Indianapolis-based INB Financial Corporation, a large Indiana bank, in a stock deal worth $876m.

The acquisition is the latest example of how the shake-out in US banking is leading to a series of mergers and takeovers throughout the industry.

The deal also underscores the way some US banks are managing to extend their branch networks across state boundaries, even though the legislative reform that would pave the way for more of these transactions remains stymied in Congress.

The prime example of this trend is the string of recent acquisitions by the Ohio-based Banc One, a successful regional banking group.

NBD, which is also the parent company of 20 Chicago area banks with assets of $5bn, is already the 24th ranked US bank, with total assets of $31bn.

INB Financial is a bank with $6.6bn of assets that operates 124 offices through six banks in key Indiana markets, including dominant market positions in the central and southern parts of the state.

NBD has another Indiana bank deal pending, this one with Summcorp, a banking group with $2.5bn of assets. NBD said yesterday its total assets following both the INB and Summcorp transactions would be $40bn.

The INB takeover calls for NBD to exchange 1.6 shares of its common stock for each INB share.

Wall Street reacted to the midwestern merger by marking the price of NBD shares $1 lower, to $28¾.

INB's share price leapt by $7 to $43.

Revenues up but Humana earns less

By Karen Zagor in New York

HUMANA, one of the largest hospital management companies, yesterday turned in a modest decline in second-quarter net income in spite of an 18 per cent improvement in revenues.

Net income fell to $86m, or 54 cents a share, on revenues of $1.62bn from net earnings of $87m, or 56 cents a share, on revenues of $1.38bn a year earlier. Earnings per share have been adjusted for a three-for-two stock split.

The company, which has been hurt by rising costs and falling hospital admissions, said its operating income for hospitals fell 5 per cent to $149m in the latest quarter, reflecting the growing trend towards discounting hospital prices. Hospital revenues increased 10 per cent in the quarter to $1.05bn, reflecting an increase in admissions.

For the first half, Humana's net income slid to $162m, or $1.02, a share on revenues of $3.19bn. This compared with net profits of $162m, or $1.04 a share, on revenues of $2.71bn a year ago.

Microsoft fires shot in PC systems battle

By Louise Kehoe in San Francisco

MICROSOFT said yesterday it would launch a new version of its widely-used Windows personal computer program next month and expects to sell 1m copies within 30 days.

The announcement appears designed to pre-empt International Business Machines' expected introduction, later this month, of a competing operating system for personal computers.

The former partners are gearing up for a marketing battle. Microsoft will for the first time use television advertising to promote Windows. IBM is also planning a publicity blitz.

Price competition is also expected to be fierce, with Microsoft offering a Windows upgrade package to current users for $50. At issue is control over the direction of personal computer software.

Windows provides personal computer users with a graphical interface, similar to the Apple Macintosh, replacing typed commands with a "point and click" method of selecting applications and functions.

Windows works in conjunction with Microsoft DOS, the operating system used on about 90 per cent of personal computers.

The new update to Windows, called Windows 3.1, includes enhancements that make it faster, easier to use and more robust than previous versions, Microsoft said.

More than 9m copies of Windows 3.0, the current version, have sold since its introduction in June 1990.

Shipments of Windows 3.1 will coincide with IBM's introduction of OS/2, a competing personal computer operating system.

Originally, Microsoft and IBM co-operated in the development of OS/2, but parted ways after a dispute over the direction of future personal computer operating system software.

IBM chose to promote OS/2 as a replacement for Microsoft's DOS and Windows. Microsoft has focused on enhancing Windows.

IBM aims to break Microsoft's domination of the market with OS/2.

A&P profits halved but margins pressure eases

By Nikki Tait in New York

GREAT Atlantic & Pacific Tea Company, the large supermarket group, has revealed profits more than halved to $70.6m in the year to February 23.

The after-tax figure compares with $151m in the previous 12 months, and is scored on sales marginally higher at $11.6bn, up from $11.4bn.

The company, which still holds a stake in the British Isosceles retail group, saw margins come under acute pressure during 1991 and, against this background, the final three months of the year actually represent a slight improvement.

After-tax profits in the fourth quarter totalled $16.1m, on sales of $2.74bn. In the third quarter, the figures were $3.92m and $2.6bn respectively.

A&P's chairman, Mr Jim Wood, acknowledged that "competitive activity is still very strong", but said the company had at least been able to reverse the downward trend of year-to-year earnings comparisons which began in the fourth quarter of 1990. "The pressure on margins was less than it was in the third quarter," he commented.

Shares in A&P, the fourth largest supermarket operator in the US and 53 per cent-owned by Germany's Tengelmann group, have suffered badly over recent months, but yesterday they managed a modest revival, up $2¼ to $32¼ before the close in New York.

Mr Wood said the company's aim in the current 12 months would be to maintain market share and keep costs down, with over $1bn scheduled to be invested in new stores, remodellings and expansions over the next three years.

The company operates 1,238 stores under a variety of names – ranging from Waldbaum's to Farmer Jack's – and plans to open 30 new stores this year.

Bancomer raises $836m through stock placement

By Damian Fraser in Mexico City

GRUPO Financiero Bancomer (GFB), the holding company comprising Mexico's second largest bank, has placed $836.7m of stock in the international markets. The offering will enable the group to meet the final payment due on the recently-privatised bank.

The private placement, arranged in the US, priced each Mexican C and B share at 4,200 pesos ($1.38), and each American depositary share, worth 20 Mexican C shares, at $27.50.

GFB had aimed to raise $500m from the placement, but increased the number of shares available last week due to heavy demand. In the months preceding the placement, GFB sold $298m of C shares, bringing the proceeds from recent share sales to $1.18bn.

The Mexican government sold 56 per cent of the equity in Bancomer late last year for a sum, including subsequent accrued interest, that has risen to $2.88bn.

Mr Ricardo Guajardo, head of Bancomer, said that $300m from the placement would be used to meet the final payment of $1.73bn due on April 6, and the rest to buy up shares in GFB and its subsidiaries.

Grupo Financiero Banamex, which contains Mexico's largest bank, is expected to announce soon its international share offering, although for a much smaller sum.

NOTICE TO THE HOLDERS OF

£120,000,000

4¾ per cent. Convertible Bonds due 2002

of

ASDA GROUP PLC

Issuer's Redemption Notice
Termination of conversion rights

ASDA GROUP PLC (formerly Asda-MFI Group PLC) (the «Issuer») hereby gives notice, pursuant to Conditions 5(c) and 16 of the above-mentioned Bonds (the «Bonds»), that it is to exercise its option to redeem the Bonds on 24th April, 1992 pursuant to Condition 5(c)(B) (of the amended Terms and Conditions of the Bonds (the «Conditions») set out in the supplemental Trust Deed dated 14th December, 1989). The option is to be exercised in respect of all the Bonds at the Optional Redemption Value then applicable, which will be 126.50 per cent. of the principal amount of the Bonds (comprising 100 per cent. as to repayment of the principal amount and a payment by way of Supplemental Interest equal to 26.50 per cent. of the principal amount), together with accrued interest to that date. Payment of principal and supplemental interest on the Bonds in respect to the Issuer's option to redeem, will be made against surrender of the Bonds at the specified office of any of the Paying Agents listed below, in accordance with Condition 7. Bonds should be presented for redemption together with all unmatured Coupons appertaining thereto, failing which the amount of any such missing unmatured Coupon will be deducted from the sum due for payment.

In accordance with Condition 5(b)(A) the Bondholders have the option to require the Issuer to redeem the Bonds on 24th April, 1992 at the redemption value of 126.50 per cent. of the principal amount of the Bonds, together with accrued interest to that date. In view of the fact that the Issuer has decided to exercise its option to redeem the Bonds on 24th April, 1992, and that such redemption is at the same redemption value as Bondholders would obtain by exercising their option to require redemption on that date, Bondholders need not deposit an Option Notice (as defined in Condition 5(b)) in order to receive 126.50 per cent. of the principal amount of their Bonds on redemption. In the circumstances the Law Debenture Trust Corporation p.l.c. (the «Trustee») has, pursuant to Condition 14, waived the requirement that the Issuer, pursuant to Condition 5(b), give not less than 7 days' prior notice of the commencement of the period for deposit of Bonds in respect of the Bondholders' option to redeem.

The Issuer hereby further gives notice that the right of conversion of any Bond will terminate at the end of the eighth day prior the 24th April, 1992, in accordance with Condition 6 (a).

The Bonds and the Coupons will become void unless presented for payment within the period of ten and five years, respectively, from the Relevant Date (as defined in Condition 8) in respect thereof.

Interest wil cease to accrue on the Bonds as from on 24th April, 1992.

Schedule of Paying Agents

Principal Paying Agent

Kredietbank S.A. Luxembourgeoise
43 boulevard Royal
L-2955 Luxembourg

Paying Agents

Kredietbank N.V.
Arenbergstraat 7
B-1000 Brussels

Royal Bank of Canada Europe Ltd.
71 Queen Victoria Street
London EC4V 4DE

Crédit Suisse
8 Paradeplatz
CH-8021 Zürich

March 19, 1992

ASDA GROUP PLC
by: *Kredietbank S.A. Luxembourgeoise*
Principal Paying and Conversion Agent

Issue of U.S. $300,000,000

R&I

The Rural and Industries Bank of Western Australia

Undated Floating Rate Notes
exchangeable into
Dated Floating Rate Notes
of which U.S. $200,000,000
is being issued as the Initial Tranche

Interest Rate	4.7875% per annum
Interest Period	19th March 1992 21st September 1992
Interest Amount due 21st September 1992 per	
U.S.$ 10,000 Note	U.S.$ 247.35
U.S.$250,000 Note	U.S.$6,183.85

Credit Suisse First Boston Limited
Agent

U.S. $125,000,000

Oil and Natural Gas Commission

Guaranteed Floating Rate Notes Due 1996
Unconditionally and irrevocably guaranteed as to payment of principal and interest by

India
Acting by its President

Interest Rate	5% per annum
Interest Period	19th March 1992 21st September 1992
Interest Amount per U.S. $10,000 Note due 21st September 1992	U.S. $258.33

Credit Suisse First Boston Limited
Agent

Helaba Finance B.V.
Amsterdam

US$100,000,000
Guaranteed Floating Rate Notes Due 1996

(Pursuant to the Terms and Conditions, Hessische Landesbank-Girozentrale- has been substituted by Helaba Finance B.V. as principal debtor of the Notes as per 1st December, 1988)

(Coupon No. 12)

In accordance with Note conditions, notice is hereby given that for the interest period 19th March, 1992 to 21st September, 1992 (186 days), an interest rate of 4³⁄₈ per cent. per annum, will apply.

Amount per coupon (No. 12) = US$1,194.79
Payable on the 21st September, 1992.

LTCB

THE LONG-TERM CREDIT BANK OF JAPAN, LTD.
London Branch
AGENT BANK

The Japan OTC Fund Inc.

International Depositary Receipts
issued by
Morgan Guaranty Trust Company of New York
evidencing 100 participating shares of US$1 each
ANNUAL RESULTS AND NOTICE OF ANNUAL GENERAL MEETING

The Directors of the Japan OTC Fund Inc are pleased to announce the audited results for the year to 31st December 1991.

	Year to 31st December 1991 US$	From 14th December 1989 to 31st December 1990 US$
Interest on deposits	646,365	1,518,469
Dividends and interest from investments	318,447	90,254
	964,812	1,608,723
Less: Withholding tax	(24,834)	(18,001)
	939,978	1,590,722
Expenses	(1,378,720)	(1,608,830)
Deficit for the year	(438,742)	(18,108)
Net Assets	65,242,444	47,880,551
Net Asset Value per share	10.87	7.98
Diluted Net Asset Value per share	10.73	N/A

The Board of Directors does not recommend the payment of a dividend for the year ended 31st December 1991.

Notice is hereby given that the Second Annual General Meeting of the Company will take place on Wednesday 6th May 1992 at noon at 47th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. A meeting of warrantholders is to be held immediately after the Annual General Meeting.

VOTING ARRANGEMENTS FOR IDR-HOLDERS

IDR-holders who wish to vote must follow the following procedure:

IDR-holders must deliver the IDRs to the depositary at the latest on May 4th, 1992 at the address given below (attention Securities Department – telephone 32.2.508.84.49–telex 21752 MORBK B), instruct the Depositary as to the manner in which votes should be cast, and indicate to whom the IDRs should be returned after the meeting.

IDR-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York, for account 670-01-422 of Morgan Guaranty Trust Company of New York, Brussels, a fee of US$1 per IDR in respect of which a vote is cast.

Copies of the Annual Report are available from the Depositary at the following address:-

DEPOSITARY : MORGAN GUARANTY TRUST COMPANY OF NEW YORK, BRUSSELS OFFICE, 35, avenue des Arts, B-1040 Brussels

Yokkaichi Warehouse Company Limited
now
Japan Transcity Corporation

U.S. $60,000,000
3⅞ per cent. Guaranteed Bonds 1988-1992

We are pleased to advise you that effective as of 1st April, 1992, the name of the "Yokkaichi Warehouse Company Limited" will be changed to "Japan Transcity Corporation".

There will be no stamping or exchange of the Bonds, Warrants and Bonds with Warrants, resulting from the change of name, and the Company will keep its engagement regarding the payment of the principal of and interest on the Bonds.

The Bonds, Warrants and Bonds with Warrants remain listed on the Luxembourg Stock Exchange under their former denomination followed by the indication of the new one.

Yokkaichi Warehouse Company Limited

By: The Mitsubishi Trust and Banking Corporation, Ltd.
as Principal Paying Agent

Dated: 19th March, 1992

BERGEN BANK A/S
Yen 9,000,000,000 Floating Rate Notes Due 1993
Yen 11,250,000,000 Inverse Floating Rate Notes Due 1993

In accordance with the provisions of the notes, notice is hereby given that the rates of interest for the period from 15th March, 1992 to 15th March, 1993 have been fixed at 7.10000 per cent. per annum payable on 15th March, 1993 in the amount of Yen 710,000 per denomination in respect of floating rate notes, and at 2.95800 per cent. per annum payable on 15th March, 1993 in the amount of Yen 295,800 per denomination in respect of inverse floating rate notes.

Nikko Bank (Luxembourg) S.A.
As Agent Bank

Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft

Japanese Yen 10,000,000,000
Floating Rate Notes due 1995

For the six months
19th March 1992
to 21st September 1992

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 5.46 per cent. per annum, and that the interest payable on the Interest Payment Date 21st September 1992 against Coupon No. 8 will be Yen 2,789,672 per Yen 100,000,000 Note.

The Industrial Bank of Japan, Limited
Agent Bank

Notice of Repayment

U.S. $150,000,000

Floating Rate Depositary Receipts Due 1992

issued by Bankers Trustee Company Limited evidencing entitlement to payment of principal and interest on deposits with

Banca Nazionale Dell'Agricoltura S.p.A.
(Incorporated with limited liability in the Republic of Italy)
London Branch

NOTICE IS HEREBY GIVEN that in accordance with Condition 4(b) of the Receipts, the Bank will repay all of the Deposits at their principal amount on the next Interest Payment Date, 23rd April, 1992.

Payment will be made against surrender of the Receipts at any specified office of any Paying Agent on and after 23rd April, 1992. Upon the due date for repayment of the Deposits, *unmatured* Coupons appertaining to the Receipts (whether or not attached) shall become void and no payment shall be made in respect thereof. Where any Receipts are presented for payment without all unmatured Coupons relating thereto, the principal of the Deposit relative to such Receipt shall be applied in making payment to the relevant Receiptholder only against provision of such indemnity and security as the Bank or The Depositary Trustee shall require.

Interest due on 23rd April, 1992 will be paid in the normal manner against surrender of Coupon Number 13, on and after the due date.

Bankers Trust Company, London
19th March, 1992

Agent Bank

THE BUSINESS SECTION

appears Every Tuesday & Saturday.
Please contact Melanie Miles
on 071-873 3308
or write to her at
The Financial Times,
One Southwark Bridge, London SE1 9HL.

INTERNATIONAL CAPITAL MARKETS

Measures to revive banks in Finland introduced

By Sara Webb

FINLAND'S central bank announced plans to revive the country's ailing banking sector and avert a credit crunch yesterday, saying it would raise interest rates, set up a FM20bn government deposit guarantee fund, and scrap stamp duty on share transactions.

Finnish banks have been plagued by heavy credit losses in the past year as the economy plunged into recession and the number of bankruptcies soared.

The Bank of Finland said its proposed measures would strengthen banks' capital structure and help to improve interest margins.

"The profitability of banks has deteriorated significantly and their capital positions have weakened. This, in turn, threatens to reduce the supply of credit which would deepen the recession and jeopardise the start of economic recovery," the central bank said. "In order to avoid this type of credit crunch, prompt action is needed."

The Bank of Finland will raise the base rate from 8.5 per cent to 9.5 per cent with effect from the beginning of May, a measure intended to improve the banks' interest margins. A substantial proportion of the banks' lending – particularly to households – is tied to the base rate which has been held at 8.5 per cent since 1989.

However, the banks fund their lending in the money market where they have had to pay considerably higher interest rates – of close to 15 per cent – in recent months.

Finnish bankers have put pressure on the central bank to amend its interest rate policy. The parliamentary supervisory board of the Bank of Finland yesterday said it had decided to raise the interest rates on the banks' low-interest loans – which are tied to the base rate – by one percentage point to a maximum of 12 per cent. The rise in rates is expected to reduce net household income by FM200m a year and will cost corporate borrowers between FM300m to FM400m.

The central bank proposed that the central government would be able to strengthen the banks' capital structure by investing in the banks' core capital if capital adequacy ratios – which are currently above the 8 per cent requirement – fall significantly.

Following the rescue of Skopbank, the central bank for the Finnish savings banks, last year, the Bank of Finland has proposed setting up a new government deposit guarantee fund which would grant support loans and guarantees to the banking sector. The fund would provide back-up for the deposit guarantee funds already in existence for the savings, co-operative and commercial banks.

The abolition of stamp duty on shares is intended to help boost liquidity on the stock exchange and make it easier for the banks to trade their equity holdings.

While bankers have been pressing for many of the changes in recent months, one analyst responded gloomily to the package of reforms, saying "the message is that the situation here is really bad . . . if the Bank of Finland thought there was going to be a recovery these measures wouldn't be necessary."

South Korea eases rules to lure foreigners

THE South Korean Securities Supervisory Board (SSB) has relaxed stock market registration requirements which had barred investments by overseas unit trusts, investment trusts, pension funds and non-limited companies, Reuter reports from Seoul.

"This is to actively solicit foreign investment and promote the opening of the stock market," the SSB said.

South Korean rules initially excluded all but individual foreign investors and foreign corporations from investing in the market, which was opened to limited direct foreign investment on January 3.

However, South Korea has gradually relaxed the rules, permitting foreign governments and certain pension funds to invest.

A Finance Ministry official said 828 foreign investors had registered as of March 17.

In an effort to generate liquidity, the Finance Ministry also announced that country funds would now be permitted to increase their capital and local investment trusts would be permitted to offer new investment products.

The Korea Fund, the Korea Europe Fund and the Korea Asia Fund, capitalised at a total of $360m, will be permitted to increase their capital by $50m each.

UK bond prices retreat on opinion poll rumour

By Sara Webb in London and Karen Zagor in New York

UK GOVERNMENT bond prices fell back yesterday with the publication of opinion polls showing the opposition Labour party five percentage points ahead of the Conservatives.

Long-dated gilts dropped nearly half a percentage point as rumours circulated that a BBC Newsnight poll would show the Labour party as much as eight points ahead of the ruling Conservatives.

Traders said the release of better-than-expected retail sales figures yesterday did little to comfort the gilt market. Retail sales rose by 0.4 per cent in February, or 1.5 per cent year-on-year. The benchmark 11¾ per cent gilt due 2003/07 fell from 113⅛ to 112⅜ by late afternoon to yield 9.81 per cent.

■ US TREASURY prices drifted lower yesterday morning in subdued trading in the absence of any market-moving news.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.3760	+0.381	10.10	9.99	10.10
BELGIUM		9.000	06/01	101.4000	-0.100	8.76	8.70	8.73
CANADA *		8.500	04/02	[illegible]	+0.600	8.67	[illegible]	[illegible]
DENMARK		9.000	11/00	101.2750	-0.375	8.76	8.65	8.60
FRANCE	BTAN	8.500	03/97	[illegible]	-0.270	[illegible]	[illegible]	[illegible]
	OAT	8.500	11/02	99.0700	-0.620	8.62	8.54	8.47
GERMANY		[illegible]	01/02	100.3600	-0.160	7.94	7.91	7.91
ITALY		12.000	02/02	98.8100	-0.170	12.20†	12.12	12.33
JAPAN	No 119	4.800	06/99	95.8450	+0.260	5.61	5.71	5.72
	No 129	6.400	03/00	105.7978	+0.183	5.38	5.45	5.39
NETHERLANDS		8.250	02/02	99.6200	-0.110	8.30	8.26	8.31
SPAIN		11.300	01/02	102.4500	-	10.86	10.88	10.82
UK GILTS		10.000	11/96	100-4	+1/32	9.96	9.75	[illegible]
		9.750	08/02	99-31	-12/32	9.75	9.64	9.33
		9.000	10/08	[illegible]	-15/32	9.53	[illegible]	[illegible]
US TREASURY *		7.500	11/01	99-03	-7/32	7.63	7.47	7.40
		8.000	11/21	99-07	-7/32	8.02	7.93	7.91

London closing. *denotes New York morning session. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

At mid-session, the Treasury's benchmark 30-year bond was down ⅛ at 99⅞, yielding 8.02 per cent. Shorter-dated maturities were also modestly lower yesterday morning.

There was little reaction to the midday release of the Federal Reserve's Tan book on business conditions in the 12 Federal Reserve districts.

Inflation pressures were downplayed in the Tan book, where the Fed said: "Wage and price pressures appear generally quite moderate." Ms Maria Ramirez, a market analyst, described the tone as an "open mouth policy" geared toward stemming inflationary fears in the bond market.

With no US economic data scheduled for imminent release, the market is expected to turn its attention to supply, particularly next week's two and five-year note auctions.

■ THE GERMAN government bond market fell on news of a higher-than-expected wage settlement for some of the engineering workers, and speculation that the Bundesbank may raise interest rates at today's Council meeting.

The Liffe bund futures contract opened at 88.26 and fell to a low of 87.91 on a volume of 47,000 contracts.

News that about 7,000 workers within the IG Metall union had agreed a 7.2 per cent pay rise pushed bund prices down. Traders expressed fears that the agreement could herald further high wage settlements and therefore delay an easing in interest rates.

In addition, dealers said the market was unsettled by an announcement that Chancellor Helmut Kohl is due to attend the Bundesbank Council meeting today, with some market participants worried that this could signal an interest rate rise.

Elsewhere in the European bond markets, French government debt fell back on worries about the outcome of Sunday's regional elections in France.

Foreign investors are concerned that the expected heavy defeat for the ruling Socialists could encourage them to raise state spending ahead of the 1993 general election.

■ JAPANESE government bonds opened on a strong note, helped by the US Treasury bond market's strength overnight and hopes of a cut in interest rates, but drifted back during the day to close slightly lower.

The yield on the benchmark No 129 issue moved from its opening level of 5.355 per cent to close at 5.385 per cent in Tokyo. However, the strengthening of the yen against the US dollar to 132.25 in London trading helped to lift JGB prices slightly and the yield on the No 129 moved to 5.37 per cent.

The June futures contract fell from its opening of 102.73 to close at 102.66 in Tokyo. Traders continue to speculate that the Bank of Japan will cut the Official Discount Rate in the next few days.

However, short-term interest rates edged up yesterday, with three-month certificates of deposit trading at 4.93 per cent, up from 4.90 per cent on Tuesday.

CBOT options on futures expand

By Barbara Durr in Chicago

THE Chicago Board of Trade will begin trading options on its two-year Treasury note futures on April 24. Options trading on the CBOT's interest rate futures has mushroomed in recent months, making the likelihood of success for the new product considerably greater.

While the CBOT, the world's largest futures market, is home to the 30-year Treasury bond contract, the most widely-traded in the world, investors are finding shorter-term futures and futures options increasingly attractive.

Trading in options on the CBOT's five-year Treasury note futures, for example, nearly tripled for January to February 1992 compared with the same period last year.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:05 pm on March 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	104⅝	105⅛	+⅛	6.91
ALBERTA PROVINCE 9 3/8 95	600	107	107½	+⅛	7.08
AUSTRIA 8 1/2 00	400	103⅜	103⅞	+⅛	7.90
BANK OF TOKYO 8 3/8 96	100	102	102⅝	−⅛	7.78
BELGIUM 9 5/8 98	250	108¼	108⅝	+⅛	7.90
BFCE 7 3/4 97	150	101¼	101⅝	+⅛	7.44
BNP 8 5/8 94	300	104⅞	105¼	+⅛	6.32
BRITISH GAS 8 3/8 99	350	102	102½	+⅛	7.99
CANADA 9 96	1000	106¼	106⅝	+⅛	7.09
CARCO 9 1/4 96	650	100¾	101⅞	−1⅛	8.97
CCCE 9 1/4 95	300	106⅛	106⅝	+⅛	6.74
COUNCIL EUROPE 8 96	100	102¼	102¾	+⅛	7.40
CREDIT FONCIER 9 1/2 99	300	108⅝	108⅞	+⅛	7.84
DENMARK 8 1/4 94	150	103⅞	104¼	+⅛	6.44
DENMARK 9 1/4 95	1571	106¼	106⅝		6.98
ECSC 8 1/4 96	193	103¼	103¾	+⅛	7.42
EEC 8 1/4 96	100	102⅞	103½		7.42
EIB 7 3/4 96	250	101⅞	102⅜	+⅛	7.21
EIB 9 1/4 97	1000	107	107⅜	+⅛	7.66
ELEC DE FRANCE 9 98	200	105⅝	106¼	+⅛	7.74
EURO CRED CARD TST 9 94	325	102⅝	103¼	−⅛	7.80
EUROFIMA 9 1/4 96	100	106¼	106¾	+⅛	7.42
EXPORT DEV CORP 9 1/2 98	150	108¼	108⅝	+⅛	7.78
FINLAND 7 7/8 97	200	100¼	100¾		7.83
FINNISH EXPORT 9 3/8 95	200	106¼	106⅝	+⅛	7.31
FORD CAPITAL 9 3/4 97	250	104¾	105¼	+⅛	8.57
GEN ELEC CAPITAL 9 3/8 96	300	106⅜	106⅞	+⅛	7.54
GMAC 9 1/8 96	200	103	103½	−⅛	8.21
GUINNESS FINANCE 8 94	200	102⅝	103⅛		6.71
IBM INTL FIN 7 3/4 94	200	102⅝	103		6.42
IND BK JAPAN FIN 7 7/8 97	200	100⅝	101⅛	+⅛	7.72
INTER AMER DEV 7 5/8 96	200	101¼	101⅞	+⅛	7.27
ITALY 8 1/2 94	1500	105¼	105⅝	+⅛	6.28
JAPAN DEV BK 8 94	150	103¼	103⅝		6.33
KANSAI ELEC PWR 10 96	350	108¼	108⅝	+⅛	7.55
LTCB FIN 8 97	200	99⅛	99⅝	−⅛	8.21
NEW ZEALAND 9 94	850	104¼	105⅛		6.80
NIPPON CRED BK 10 3/8 95	150	107⅝	108¼	+⅛	7.65
NIPPON TEL & TEL 9 3/8 95	200	108⅝	108⅞	+⅛	6.05
ONTARIO 8 1/2 01	600	100⅞	101⅜	+⅛	8.35
ONTARIO HYDRO 11 5/8 94	200	109⅜	109⅞	+⅛	6.20
OSTER KONTROLLBANK 8 1/2 01	200	103⅛	103⅝	+⅛	8.00
PETRO-CANADA 7 1/4 96	200	99⅜	99⅞	+⅛	7.42
QUEBEC HYDRO 9 3/4 98	150	107⅞	107⅞	−⅛	8.25
QUEBEC PROV 9 98	200	103⅝	104⅛		8.19
SAINSBURY 9 1/8 96	150	104	104⅝	−⅛	8.02
SAS 10 99	200	104¼	104⅞	−⅛	9.17
SBAB 9 1/2 95	500	106¼	106⅝	+⅛	7.22
SNCF 9 1/2 98	150	108	108⅜	+⅛	7.83
SWEDISH EXPORT 8 3/8 96	700	103⅜	103⅞	+⅛	9.96
TOKYO ELEC POWER 8 3/4 96	300	104¼	104⅝	+⅛	7.56
TOKYO METROPOLIS 8 1/4 96	200	103⅛	103⅝	+⅛	7.41
WORLD BANK 8 3/8 99	1500	104⅝	104⅞	+⅛	7.75
WORLD BANK 8 3/4 97	1500	106¼	106⅝	+⅛	7.29
XEROX CORPN 8 3/8 96	100	100¾	101		8.22

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	101¼	101¾		8.18
AUSTRIA 6 3/4 99	750	94⅝	95¼	+⅛	7.76
BNP 8 1/4 01	300	102⅜	102⅞	−⅛	7.88
DEUTSCHE FINANCE 7 1/2 95	1000	98⅝	98⅞		7.94
EIB 5 3/4 98	400	90⅛	90⅝		7.84
EIB 6 1/4 99	600	92	92½		7.79
EUROFIMA 8 3/4 96	400	102⅜	103⅛		7.98
FIRST INTERSTATE 5 3/4 96	100	86⅞	87⅜	−⅛	9.75
FORD MOTOR CREDIT 9 1/4 94	[illegible]	[illegible]	100⅛		9.15
IND BK JAPAN FIN 5 5/8 96	200	91	91		8.30
INTER AMER DEV 9 00	300	106⅜	107⅛	+⅛	7.89
IRELAND 6 1/2 99	300	91⅞	92¼	+⅛	8.10
LUFTHANSA INT FIN 5 7/8 98	500	89⅞	89⅞	+⅛	8.15
NAT BK HUNGARY 10 3/4 98	500	100	100⅞		10.72
SWEDEN 6 1/8 96	300	91⅛	91⅞		7.91
TURKEY 10 3/4 96	500	101	101⅜	−⅛	10.43
WORLD BANK 0 15	2000	20⅝	21¼	−⅛	6.84
WORLD BANK 5 3/4 96	300	92⅝	93⅛		7.98
WORLD BANK 8 3/4 00	1250	104⅝	105		7.95

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	90½	91	+⅛	6.92
AUSTRIA 4 5/8 98	100	90¼	91	+⅛	6.68
CHUBU ELEC POWER 6 3/4 01	300	99	99⅝		6.89
COUNCIL EUROPE 4 3/4 98	250	90	90½		6.86
EEC 5 1/2 00	100	91	92	−⅛	6.91
EIB 6 1/2 98	800	99⅛	99⅝		6.54
ELEC DE FRANCE 7 1/4 06	100	103¼			6.85
FINLAND 5 3/8 95	150	96¼	97	+1⅛	6.40
GENERAL MOTORS 7 1/2 95	100	97¼		−⅛	8.46
JAPAN DEV BK 5 1/2 94	100	96	96½		7.84
KOBE 6 3/8 01	240	98⅝	99	+⅛	6.55
NEW ZEALAND 4 7/8 99	200	88⅞	89¼	+⅛	7.04
QUEBEC HYDRO 5 08	100	77½	78	+⅛	7.45
WORLD BANK 5 03	150	86	87	−⅛	6.80
WORLD BANK 7 01	600	102¼	102¾		6.58

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99¼	99½		5.10
CREDIT FONCIER 5 1/4 94	20000	99¾	100	+⅛	5.44
DENMARK 7 95	40000	104½	104¾		5.26
EIB 4 5/8 94	40000	99½	99¾		4.87
ELEC DE FRANCE 5 5/8 96	20000	100¼	100¾		5.52
FINLAND 6 3/4 96	50000	103¾	103¾		5.75
INTER AMER DEV 7 1/4 00	30000	109⅝	109⅞	+⅛	5.74
KANSAI ELEC PWR 4 5/8 94	60000	98⅝	98⅞	+⅛	5.45
NIPPON TEL & TEL 5 7/8 96	50000	101¼	102		5.42
NORWAY 5 1/8 95	50000	99⅝	99⅞		5.26
SNCF 6 3/4 00	30000	107¼	107⅝	+⅛	5.61
SWEDEN 5 5/8 95	20000	100⅝	101⅛	+⅛	5.41
WORLD BANK 6 3/4 00	50000	107⅝	107⅞	+⅛	5.54

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.96
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.17
WORLD BANK 8 96 LFr	1000	96⅝	97⅝		8.97
ENERGIE BEHEER 8 3/4 98 Fl	500	103¼	103½		8.00
UNILEVER 9 00 Fl	500	105	105¼		8.13
ALBERTA PROVINCE 10 5/8 96 C$	500	103¼	103½	+⅛	9.58
BELL CANADA 10 5/8 99 C$	150	105	105½	+2⅛	9.62
BRITISH COLUMBIA 10 96 C$	500	101⅜	101⅞	+⅛	9.53
EIB 10 1/8 98 C$	130	105⅝	106¼	+⅛	8.87
ELEC DE FRANCE 9 3/4 99 C$	275	101⅝	102¼	+1⅛	9.42
FORD CREDIT CANADA 10 94 C$	100	100⅜	100⅝	+1⅛	9.80
GEN ELEC CAPITAL 10 96 C$	300	101⅛	101⅝	+⅛	9.57
KFW INT FIN 10 01 C$	400	102¼	102⅝	+1⅛	9.61
NIPPON TEL & TEL 10 1/4 94 C$	200	103¼	103⅝	+1⅛	9.63
ONTARIO HYDRO 10 7/8 99 C$	500	105	105¼	+1⅛	9.85
OSTER KONTROLLBANK 10 1/4 99 C$	150	103¼	104¼	+1⅛	9.50
QUEBEC PROV 10 1/2 98 C$	200	102⅞	103	+1⅛	9.95
BELGIUM 9 1/8 96 Ecu	1250	101⅝	101⅞		8.63
CREDIT LYONNAIS 9 96 Ecu	125	99¼	100	+⅛	9.21
DENMARK 7 5/8 96 Ecu	250	93⅞	94⅜	−⅛	9.49
EEC 7 5/8 94 Ecu	200	97	97½		9.38
EIB 10 97 Ecu	1125	106¼	106⅝		8.35
FERRO DEL STAT 10 1/8 98 Ecu	500	105½	105¾	−⅛	8.86
ITALY 10 3/4 00 Ecu	1000	111	111¼	−⅛	8.79
UNITED KINGDOM 9 1/8 01 Ecu	2750	103½	103⅝	−⅛	8.54
BP AMERICA 12 1/4 96 A$	100	106⅜	106⅞	+⅛	10.21
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅝	114⅞	+⅛	10.82
EKSPORTFINANS 12 3/8 95 A$	75	106⅛	107	+⅛	9.88
EUROFIMA 14 5/8 94 A$	75	109⅞	110⅜		9.29
MCDONALDS CANADA 15 95 A$	100	112¼	113		10.26
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109	109½	−⅛	9.35
STATE BK NSW 14 1/4 99 A$	100	115¼	115⅝	+⅛	11.12
UNILEVER AUSTRALIA 12 98 A$	150	106¼	106⅝	+⅛	10.54
VOLKSWAGEN INTL 15 94 A$	100	110	110½	+⅛	9.48
ABBEY NATL TREAS 13 3/8 95 £	100	106⅜	106⅞		10.72
ALLIANCE & LEICS 11 3/8 97 £	100	101¼	101½	−⅛	11.06
BRITISH GAS 12 3/4 95 £	300	105¼	105⅝		10.53
BRITISH LAND 12 1/2 16 £	150	105⅛	105⅝	−⅛	12.20
DEUTSCHE BK FIN 11 94 £	225	100⅞	101¼	+⅛	10.41
EIB 10 97 £	536.5	99⅝	100		10.09
FINLAND 10 1/8 97 £	100	99⅝	99⅞		10.25
ITALY 10 1/2 14 £	400	101½	101⅞	−⅛	10.32
LAND SECS 9 1/2 07 £	200	87⅜	87⅞	−⅛	11.27
NORWAY 10 1/2 94 £	200	100	100⅜	−⅛	10.47
ONTARIO 11 1/8 01 £	100	103⅜	103⅞		10.47
SEVERN TRENT 11 1/2 99 £	150	102	102½	−⅛	11.06
SKANDINAVISKA ENSK 13 1/8 95 £	100	105	105½	−⅛	11.03
TOKYO ELEC POWER 11 01 £	150	103⅜	104	−⅛	10.35
WORLD BANK 11 1/4 95 £	100	102⅜	102⅝		10.40
ABBEY NATIONAL 0 96 NZ$	100	66¼	67¼		9.48
BNP 12 96 NZ$	50	108⅝	109¼		9.32
CEPME 10 95 FFr	2000	102¼	102⅝		9.14
ELF-AQUITAINE 9 99 FFr	600	100	100½		8.98
EURATOM 7 5/8 98 FFr	500	93⅞		+⅛	8.93

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.55	99.65	10.7675
BANCO ROMA 0.03 01	200	93.03	94.03	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.6875
BFCE -0.02 96	350	100.21	100.32	4.9175
BNP 05	300	98.00	98.50	5.5625
BRITANNIA 1/10 96 £	150	99.09	99.29	10.7875
CCCE 06 ECU	200	99.90	100.00	9.8594
CITIZENS FED 0.15 96	100	99.59	99.97	5.0000
CREDIT FONCIER -1/16 98	200	100.11	100.21	5.3438
DENMARK -1/8 96	1000	99.75	99.85	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.03	9.5938
ELEC DE FRANCE 1/8 99	400	101.13	102.00	5.2500
FERRO DEL STAT 94	420	100.91	101.31	4.4375
HALIFAX 1/10 94 £	200	99.90	100.00	10.5375
IRELAND 98	300	99.64	99.74	4.4600
ITALY 00	500	100.91	101.24	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.35	99.53	11.0000
LLOYDS BANK 1/10 PERP S.3	600	79.50	81.50	4.5375
MITSUI FIN ASIA 1/8 96	100	99.98	100.09	5.2500
NAT WEST FIN 3/16 05	400	93.13	94.13	5.5000
NEW ZEALAND 1/8 96	250	100.26	100.36	4.8130
RENFE 98	500	100.09	100.19	5.0000
SOCIETE GENERALE 96	300	99.80	99.90	4.5625
STATE BK VICTORIA 0.05 99	125	98.64	98.89	4.3625
UNITED KINGDOM -1/8 96	4000	100.02	100.05	4.2500
YORKSHIRE BS 1/10 94 £	165	99.55	99.65	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	130	132	
CHUBB CAPITAL 6 98	250	86	101¼	102⅝	+36.99
EASTMAN KODAK 6 3/8 01	300	58.67	99¼	100½	+25.65
GOLD KALGOORLIE 7 1/2 00	65	1.0554	83	84	+43.39
HANSON 9 1/2 06 £	500	2.5875	101¼	102	+17.48
HAWLEY 6 02 PREF	400	19.1	95	98	
HILLSDOWN 4 1/2 02 £	150	3.97	117½	118½	
LAND SECS 6 3/4 02 £	84	6.72	78¼	79¼	+26.91
LASMO 7 3/4 05 £	90	5.64	75½	76½	
MITSUI BANK 2 5/8 03	200	2397½	60¾	62¼	+24.80
MOUNT ISA FIN 6 1/2 97	100	2.283	95¼	96¼	+14.41
OGDEN 6 02	85	39.077	82¼	83¼	+41.20
SEGA ENTERPRISES 3 1/2 96	200	1301.8	101¼	102½	+6.20
SMITH & NEPHEW 4 02 £	90	1.775	121¼	122¼	+51.03
SUMITOMO BANK 3 1/8 04	300	3606.9	64	65	+40.17
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	90¼	91¼	
THORN EMI 5 3/4 04 £	103	7.45	121¼	122¼	+18.32

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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All of these securities having been sold, this announcement appears as a matter of record only.

28,750,000 Shares

Sears, Roebuck and Co.

$3.75 Depositary Shares
Each Representing One-Fourth of a Series A Mandatorily Exchangeable Preferred Share—PERCS™
(Mandatorily Exchangeable for Common Shares, Par Value $.75 Per Share, of Sears, Roebuck and Co.)
(Par Value $1.00 Per Share)

Dean Witter Reynolds Inc.
Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated

Bear, Stearns & Co. Inc. | The First Boston Corporation | Alex. Brown & Sons Incorporated
Dillon, Read & Co. Inc. | Donaldson, Lufkin & Jenrette Securities Corporation | A.G. Edwards & Sons, Inc.
Kemper Securities Group, Inc. | Kidder, Peabody & Co. Incorporated | Lazard Frères & Co.
Merrill Lynch & Co. | Montgomery Securities
J. P. Morgan Securities Inc. | Oppenheimer & Co., Inc. | Salomon Brothers Inc
Smith Barney, Harris Upham & Co. Incorporated | Wertheim Schroder & Co. Incorporated
Advest, Inc. | William Blair & Company | J. C. Bradford & Co.
The Chicago Corporation | Cowen & Company | Credit Lyonnais Securities (USA) Inc.
Dain Bosworth Incorporated | McDonald & Company Securities, Inc. | Piper, Jaffray & Hopwood Incorporated
Rauscher Pierce Refsnes, Inc. | Raymond James & Associates, Inc.
The Robinson-Humphrey Company, Inc. | Sutro & Co. Incorporated | Tucker Anthony Incorporated
UBS Securities Inc. | Wheat First Butcher & Singer Capital Markets | Robert W. Baird & Co. Incorporated
Crowell, Weedon & Co. | Interstate/Johnson Lane Corporation | Edward D. Jones & Co.
Ladenburg, Thalmann & Co. Inc. | Ragen MacKenzie Incorporated | Scott & Stringfellow Investment Corp.
Stifel, Nicolaus & Company Incorporated | Wedbush Morgan Securities

March, 1992

February 1992

TEXTRON
Textron Inc.

has acquired

Cessna
The Cessna Aircraft Company

a wholly-owned subsidiary of

General Dynamics Corporation

The undersigned acted as exclusive financial advisor to Textron Inc.

Bankers Trust
Bankers Trust New York Corporation through its subsidiary Bankers Trust Company

SOCIETE GENERALE
FRF 500.000.000
SUBORDINATED FLOATING RATE NOTES DUE 2001
For the period March 18, 1992 to June 17, 1992 the new rate has been fixed at 10,17968% P.A.
Next payment date: June 17, 1992
Coupon nr: 5
Amount: FRF 514,64 for the denomination of FRF 20 000
THE PRINCIPAL PAYING AGENT, SOGENAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

MIDLAND INTERNATIONAL FINANCIAL SERVICES B.V.
FRF 900.000.000
GUARANTEED FLOATING RATE NOTES DUE 1997
For the period March 18, 1992 to June 18, 1992 the new rate has been fixed at 10,42% P.A.
Next payment date: June 18, 1992
Coupon nr: 21
Amount: FRF 266,29 for the denomination of FRF 10 000
FRF 2662,89 for the denomination of FRF 100 000
THE PRINCIPAL PAYING AGENT, SOGENAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED
International Depositary Receipt issued by Morgan Guaranty Trust Company of New York

Notice is hereby given to the shareholders that:

Payment of coupon number 42 of the International Depositary Receipts will be made in US dollars on or after March 20th, 1992 at the rate of US$ 0.0917 per ordinary share at the following offices of Morgan Guaranty Trust Company of New York:

- New York, 30, West Broadway
- Brussels, 35, Avenue des Arts
- London, 1, Angel Court
- Frankfurt, 44/46, Mainzer Landstrasse

The dividend is not subject to any Australian tax. The Belgian withholding tax will be applicable to IDR holders presenting their coupons to the offices of the Depositary without the appropriate non-Belgian resident certificate.

Depositary: Morgan Guaranty Trust Company of New York
35, Avenue des Arts, 1040 Brussels

COMPAGNIE BANCAIRE
FRENCH FRANCS 800,000,000
FLOATING RATE NOTES DUE 1997
For the period March 18, 1992 to June 17, 1992 the new rate has been fixed at 10,11718% P.A.
Next payment date: June 17, 1992
Coupon nr: 7
Amount: FRF 255,74 for the denomination of FRF 10 000
FRF 2557,40 for the denomination of FRF 100 000
THE PRINCIPAL PAYING AGENT, SOGENAL
SOCIETE GENERALE GROUP
15, AVENUE EMILE REUTER
LUXEMBOURG

INTERNATIONAL CAPITAL MARKETS

Denmark's Ecu1bn issue attracts firm demand

By Tracy Corrigan

A CLUTCH of sovereign and supranational borrowers tapped the Eurobond market yesterday, boosting investor interest in an otherwise lacklustre market.

Denmark launched its long-awaited Ecu1bn 10-year bond offering, which is listed in Copenhagen but will be traded internationally. The deal, priced to yield six basis points more than the 8½ per cent French Treasury issue due 2002, met firm demand from institutional investors, even though the pricing was not considered generous.

Many fund managers had made room in their portfolios for the Denmark offering as the deal was first announced several months ago. However, the deal did not excite the same enthusiasm as other quasi-governmental bond issues in the sector, such as the UK deal last year.

The delay was caused by the technical difficulties of creating bonds that could be traded and settled both in Denmark and internationally. The issue is structured like a Eurobond, with clearing through Euroclear and Cedel, but is also registered, and can be cleared through, the Danish Securities Centre.

INTERNATIONAL BONDS

Denmark's benchmark Ecu bond was prompted by political motives rather than any need for funds. The proceeds of the issue will be added to foreign exchange reserves, but the Danish government was keen to place Copenhagen on the map as an Ecu trading centre.

Dealers in Denmark said that domestic demand had been better than expected, accounting for placement of around 25 per cent of the transaction. Danish investors, who have no tradition of buying Ecu bonds, will be encouraged to be more active in the market by the establishment of a repo market and a market making system.

Den Danske Bank and Unibank, the joint bookrunners, will act as domestic market-makers, along with Bikuben, Jyske Bank, and Sydbank.

Also in the Ecu sector, the World Bank launched a small offering of five-year bonds. Dealers said the pricing of the Ecu150m deal to yield less than the five-year French government Ecu OAT issue was over-ambitious. However, lead-manager Crédit Lyonnaise reported strong demand from Italian investors for whom the World Bank name is exempt from withholding tax.

In the dollar sector, the European Investment Bank (EIB) and the Austria-guaranteed Oesterreichische Kontrollbank (OKB) each raised five-year debt.

The EIB's $500m deal was considered rather aggressively priced at a yield spread of 12 basis points above the five-year US Treasury yield.

However, five-year sovereign and supranational paper has outperformed the rest of the market due to stronger investor demand for quality issues. Goldman Sachs underwrote the entire transaction, with only a small selling group; consequently, it was hard to gauge how much paper had been sold.

A $200m five-year deal for OKB, priced to yield 25 basis points above the five-year Treasury, met strong demand from institutional investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
EIB(a)†	500	7	98.67	1997	-	Goldman Sachs Intl.
OKB (a)†	200	7⅛	100.905	1997	1⅞	J.P.Morgan Secs.
Yasuda Trust Asia Pacific(d)‡	50	(d)	102	2002	2	Crdt.Suisse Fst.Boston
ECU						
Kingdom of Denmark(e)†	1bn	8½	99.27	2002	0.325/0.20	Unibank/Den Danske
World Bank(a)†	150	8¼	99.85	1997	25/15bp	Credit Lyonnais
YEN						
Republic of Ireland(a)†	10.5bn	5½	100	1995	3/16/1/16	Daiwa Europe
SWISS FRANCS						
Kito Corporation.(c)**§	60	4⅛	100	1996	-	Nomura Bank
FRENCH FRANCS						
Toyota Motor Credit(a)†	1.25bn	9⅛	101.1375	1995	1⅝	Banque Paribas Cap.Mkts.
GUILDERS						
Commerzbank AG(b)†	100	8½	100.40	2002	1/⅝	Rabobank

**Private placement. §Convertible. θWith equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing 8½% bond due 3/4/1992. c) Coupon payable semi-annually. Put option on 31/3/94 at 108.75 to yield at 6.753. d) Coupon pays 6 months Libor plus 50bp for first 2 years. Thereafter pays 9⅛. e) Domestic issue, listed in Copenhagen.

Dominion puts O&Y ratings under review

THE credit rating of two commercial paper programmes of Olympia & York, the Canadian property group, were yesterday put under review for a possible downgrade by Dominion Bond Rating Service, writes Our Financial Staff.

The agency said there was "nothing fundamentally wrong" with the company or with its two commercial paper programmes, but that "continuing rumours and negative press reports" were making it hard for the company to roll over its commercial paper.

News of the possible downgrade comes in the wake of O&Y's decision to wind down its commercial paper programmes. The group's commercial paper is currently rated R-1.

Liffe faces equity options row on eve of merger

By Tracy Corrigan

ON THE EVE of the official merger of the London International Financial Futures Market (Liffe) and the London Traded Options Market (LTOM), another row over the future of equity options trading at the new exchange has blown up.

Firms which came forward to act as market-makers in individual stock options are urging Liffe to appoint a managing director in charge of stock options trading under the new exchange.

The options traders charge that a business plan designed to jump-start the market – and someone to put it into action – is urgently needed.

Liffe, so far, appears to be resisting such pressure, but officials at the exchange were unavailable for comment.

The disagreement is the latest in a long series of disputes which dogged the merger's history for several years. With the legal merger about to go ahead this weekend, and trading under the new London International Financial Futures and Options Exchange – still to be known as Liffe – set to start on Monday, the latest row is not serious enough to jeopardise the merger at this late stage.

However, the deadline for signing the official market-making agreement by the end of trading yesterday was not met by some of the six market-making firms as they increased pressure on Liffe.

The merger was postponed in January because an insufficient number of firms came forward to make markets in the 67 equity options traded on LTOM. While hopes are running high for the FT-SE index option, there seems little sign that the low volume currently recorded in individual options will be substantially boosted by the merger, at least initially.

The argument over the future of open-outcry trading, which the large banks argue should be replaced by a screen-based system, could also resurface.

"The equity product is sufficiently different [from Liffe's mainly interest rate and currency products] for someone with specialist equity derivatives knowledge to offer important benefits to the Liffe staff," said Mr David Wenman, head of European equity derivatives at Swiss Bank Corporation, one of the six market-making firms.

Mr Tony de Guingand, who ran the LTOM, will become finance director of the merged exchange, which will be headed by Mr Michael Jenkins.

Germans draw line at two sets of accounts

David Waller examines why they are denied access to capital markets in the US

Mark Twain once observed that it ought to take an intelligent person about 30 hours to master the English language, 30 days to get on top of French – and about 30 years to master German.

In broad terms, the same holds true for accounting, the business language. English, even French accounting is relatively easy to get to grips with – but it takes years to make sense of German accounting.

Indeed, the more sceptical analysts say that it can never be done – that the very term German accounting is a contradiction in terms.

UK accounts at least pay lip-service to the notion that accounts should provide a "true and fair" representation of what is happening at the company, but German accounting does not aim to give outsiders such as analysts or investors a "true" or merely "fair" picture of a companies' financial condition.

If this makes it difficult for international fund managers to make informed investment decisions about German companies, it also denies German companies access to the world's largest capital market.

The fact that not a single German company has a full listing in the US is directly due to German accounting. Last year, a number of Germany's largest companies – including Daimler-Benz, Bayer, Hoechst and BASF, and a number of large banks – approached the Securities & Exchange Commission in the US with a view to obtaining a listing in the US. The talks came to nothing.

The main obstacle was the SEC's requirement that the German companies – like all companies listed in the US – should comply with the generally accepted accounting principles (US GAAP) in the US. The German companies refused to give way, and the SEC would not compromise: hence an impasse.

The fact that not a single German company has a full listing in the US is directly due to German accounting

The issue has rumbled on since then. Last month the Federation of German Stock Exchanges said it was likely the European Commission would enter into direct negotiations with the SEC on behalf of all European countries.

The EC may well take up the "reciprocity" argument used by the German companies last year – that a company which had complied with German listing requirements ought to qualify automatically for a listing in the US, without having to comply with US GAAP. Since German listing requirements are much less strenuous, US companies have no difficulty gaining a quote there.

Apart from the general principle that German companies give away very little financial information, the main practical difference between Teutonic accounting and the Anglo-American variety is that German accounting invariably understates both assets and profits, as compared to figures presented under UK rules or US GAAP.

An exercise conducted last year by Mr Gary Schieneman, an analyst for Smith New Court in New York, showed that shareholders' equity at Mannesmann – a large German engineering company – at the end of 1989 would have been at least 40 per cent higher if presented under US GAAP, while net profits would have been 50 per cent and 36 per cent higher in 1988 and 1989 respectively.

In another study, Mr Schieneman showed how the Volkswagen car company's 1989 profits would grow from DM1.04bn under German rules, to DM1.5bn under UK rules and DM1.9bn under US rules. In the answer to the question "what did Volkswagen really earn in 1989?", Schieneman was forced to conclude that it depended entirely on your accounting perspective. What was true for the 1989 figures, applies equally to those produced by large German companies in 1990 and 1991, says Schieneman.

The differences between the German and the UK and the US versions of the figures are in part due to German conservatism on specific issues such as accounting for goodwill and depreciation, but there are also more fundamental factors at work. Mrs Heidrun Haase of Deutsche Bank Research in Frankfurt identifies some of the underlying causes of the differences between German and Anglo-American accounting:

- German law insists that the interests of creditors take precedence over those of shareholders. The so-called *Glaubigerschutzprinzip*, in which this principle is enshrined, means that companies are under legal pressure to understate reported profits and assets.
- There is no distinction between tax accounts and published accounts, as there is in the UK or the US: the *Massgeblichkeitprinzip* ordains that in order to get a deduction for tax purposes it must be booked in the published accounts. Thus there is a cash incentive for German companies to keep reported profits as low as possible, because lower profits mean lower tax bills.
- The structure of the German capital market does not bring pressure on companies to ramp up their reported profits. Only about 650 German companies are listed on the stock market, and of these the vast majority are controlled by banks or families with long-term investment horizons.

These shareholders have access to the management accounts, which tell the full story denied to those who must rely on published figures. Despite recent developments such as the Continental-Pirelli saga and Krupp's takeover of Hoesch, there is no vigorous "market for corporate control" in Germany and managers do not have to present spectacular profits growth to fend off takeover.

A further, unspoken reason why German companies do not want to present US-style figures is that it would weaken their hand in negotiations with unions: Germany's labour costs are already higher than anywhere else in Europe and the fear is that they could get higher if the unions saw the profits restated upwards under US or UK GAAP.

Moreover, German managers worry that if they adopted US GAAP, they would be taking the first steps down the slippery slope to short-termism, that is, that industrial strategy would have to be sacrificed to the need to boost reported profits.

There are signs that despite these forces for conservatism, German accounting is changing: big companies are obliged to compete in international capital markets for funds and get better rates the more they disclose. But they still draw the line at presenting two completely different sets of accounts, as they would have to if they listed in New York.

Mrs Haase says the best German companies will in future strike a balance between "being prudent and making their figures understandable for foreign capital markets".

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Mar 18 1992 Index No.	Day's Change %	Est Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Mar 17 Index No.	Mon Mar 16 Index No.	Fri Mar 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	789.42	-1.1	8.03	6.05	16.21	2.55	[illegible]	791.43	794.15	869.80
2	Building Materials (23)	936.25	-1.7	7.40	6.60	18.23	0.99	952.09	947.43	957.74	1131.84
3	Contracting, Construction (28)	876.14	-1.7	8.76	8.34	16.48	2.12	[illegible]	876.33	881.08	1400.47
4	Electricals (7)	[illegible]	-1.2	8.01	6.16	16.49	1.47	2462.51	2454.44	2463.20	2376.30
5	Electronics (26)	1822.44	-1.0	9.94	4.71	12.74	2.20	1841.61	1812.99	1808.70	1860.47
6	Engineering-Aerospace (8)	337.50	-0.9	10.03	7.70	12.97	[illegible]	340.57	338.37	337.49	442.72
7	Engineering-General (43)	494.06	-0.9	9.12	4.78	13.55	1.21	498.50	494.77	497.06	460.63
8	Metals and Metal Forming (10)	335.51	+0.1	2.06	10.20	-	0.00	335.04	329.17	330.70	479.77
9	Motors (14)	318.30	+0.7	7.43	7.37	18.39	2.90	316.22	316.33	315.66	345.09
10	Other Industrial Materials (19)	1591.55	-1.3	7.48	5.21	16.31	1.00	1613.03	1601.02	1665.73	1556.71
21	CONSUMER GROUP (187)	1614.55	-0.8	7.40	3.48	16.56	5.83	1628.39	1621.71	1627.13	1401.94
22	Brewers and Distillers (23)	2033.39	-0.7	7.88	3.49	15.29	7.92	2047.44	2034.93	2043.38	1729.58
25	Food Manufacturing (18)	1240.53	-1.1	8.87	4.20	14.00	5.99	1254.33	1246.65	1250.15	1176.20
26	Food Retailing (17)	2541.28	-1.3	8.68	3.26	14.97	4.06	2574.41	2554.55	2553.19	2629.40
27	Health and Household (24)	4153.76	-0.2	6.48	2.51	17.51	19.73	4162.60	4177.03	4193.61	3008.97
29	Hotels and Leisure (22)	1274.88	-1.4	7.06	5.34	18.03	8.54	1292.85	1287.16	1290.09	1374.42
30	Media (24)	1498.69	-1.5	6.41	3.66	19.69	2.97	1522.21	1511.67	1516.63	1445.04
31	Packaging, Paper & Printing (17)	741.79	-0.5	7.07	4.53	16.38	0.31	745.15	741.05	[illegible]	640.38
34	Stores (32)	1027.85	-1.2	7.20	3.52	18.41	1.91	1040.75	1030.95	1035.30	880.76
35	Textiles (10)	649.57	-0.6	7.06	4.79	18.07	2.69	653.32	650.00	651.34	536.87
40	OTHER GROUPS (117)	1183.21	-1.1	10.26	5.60	12.27	8.87	1195.22	1185.69	1192.64	1186.07
41	Business Services (16)	1330.87	-1.7	7.16	4.90	17.74	0.27	1354.40	1344.07	1346.66	1174.88
42	Chemicals (22)	1449.95	-0.7	7.23	5.05	16.91	20.02	1460.38	1449.52	1459.43	1233.64
43	Conglomerates (11)	1340.00	-0.7	10.64	7.55	11.48	3.18	1349.88	1319.99	1338.41	1559.75
44	Transport (14)	2322.70	-1.1	5.46	4.88	24.17	2.93	2348.01	2327.86	2345.06	2172.46
45	Electricity (16)	1120.40	-2.1	[illegible]	6.64	8.32	17.21	1143.98	1138.99	1154.54	1141.40
46	Telephone Networks (4)	1350.43	-0.7	11.61	4.64	11.25	16.02	1360.65	1352.96	1361.99	1375.87
47	Water (10)	2242.75	-3.2	19.02	7.09	5.79	0.00	2315.21	2299.49	2302.41	2458.12
48	Miscellaneous (24)	1810.95	-0.2	[illegible]	5.45	19.70	1.26	1813.83	1820.11	1796.95	1868.08
49	INDUSTRIAL GROUP (482)	1270.19	-1.0	8.39	4.59	14.90	6.01	1282.49	1274.49	1279.74	1208.63
51	Oil & Gas (18)	2017.04	-0.7	9.26	7.04	14.25	36.07	2032.16	2024.66	2003.54	2360.11
59	500 SHARE INDEX (500)	1339.85	-0.9	8.48	4.85	14.83	8.20	1352.51	1344.38	1347.92	1306.24
61	FINANCIAL GROUP (86)	689.08	-1.6	-	6.66	-	9.78	700.31	686.54	689.95	829.12
62	Banks (9)	866.97	-1.6	4.65	6.30	45.99	21.90	881.03	848.94	852.11	894.74
65	Insurance (Life) (6)	1403.56	-1.2	-	6.19	-	0.00	1429.92	1417.53	1406.40	1523.96
66	Insurance (Composite) (7)	431.71	-1.8	-	8.82	-	3.67	439.64	442.45	447.82	713.41
67	Insurance (Brokers) (10)	976.30	-1.5	7.95	6.86	16.36	12.08	990.74	985.49	981.02	1153.76
68	Merchant Banks (7)	445.30	-0.5	-	4.66	-	2.26	447.70	449.35	449.69	435.06
69	Property (33)	681.14	-2.5	8.44	6.67	16.21	0.93	698.61	698.78	699.19	1067.61
70	Other Financial (14)	236.72	-1.0	8.45	7.37	15.58	1.36	239.07	238.33	239.04	292.81
71	Investment Trusts (68)	1165.10	-0.4	-	3.80	-	7.30	1169.96	1162.56	1166.40	1188.22
99	ALL-SHARE INDEX (654)	1185.78	-1.0	-	5.03	-	8.36	1197.76	1189.05	1192.12	1189.02

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 17	Mar 16	Mar 13	Mar 12	Mar 11	Year ago
FT-SE 100 SHARE INDEX♦	2464.7	-26.5	2485.0	2464.1	2491.2	2470.7	2476.0	2493.3	2522.4	2491.2

FIXED INTEREST

	PRICE INDICES	Wed Mar 18	Day's change %	Tue Mar 17	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (27)	121.34	-0.09	121.45	2.23	2.13
2	5-15 years (25)	133.47	-0.24	133.80	1.91	3.54
3	Over 15 years (9)	142.42	-0.40	143.00	1.53	2.78
4	Irredeemables (6)	158.27	-0.15	158.50	2.87	1.50
5	All stocks (67)	132.05	-0.20	132.32	2.04	3.00
	Index-Linked					
6	Up to 5 years (2)	169.92	-0.12	170.13	0.33	1.37
7	Over 5 years (9)	145.86	-0.18	146.12	0.58	1.20
8	All stocks (11)	148.04	-0.17	148.30	0.54	1.21
9	Debs & Loans (62)	116.48	-0.19	116.70	2.38	2.39

	AVERAGE GROSS REDEMPTION YIELDS		Wed Mar 18	Tue Mar 17	Year ago (approx.)
	British Government				
1	Low	5 years	9.28	9.26	9.43
2	Coupons	15 years	9.52	9.48	9.74
3	(0%-7¾%)	20 years	9.52	9.48	9.92
4	Medium	5 years	9.91	9.87	10.31
5	Coupons	15 years	9.61	9.56	10.16
6	(8%-10¾%)	20 years	9.56	9.51	10.09
7	High	5 years	10.14	10.09	10.44
8	Coupons	15 years	9.74	9.69	10.33
9	(11%-)	20 years	9.66	9.61	10.26
10	Irredeemables		9.72	9.70	10.15
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.70	3.66	3.70
12	Inflation rate 5%	Over 5 yrs	4.48	4.47	4.21
13	Inflation rate 10%	Up to 5 yrs	3.08	3.03	2.35
14	Inflation rate 10%	Over 5 yrs	4.32	4.30	4.04
15	Debs &	5 years	11.13	11.13	11.85
16	Loans	15 years	10.84	10.82	11.64
17		25 years	10.67	10.64	11.44

♦Opening index 2478.1; 9 am 2476.7; 10 am 2482.3; 11 am 2478.1; Noon 2477.0; 1 pm 2478.1; 2 pm 2477.6; 2.30 pm 2478.0; 3 pm 2480.6; 4 10 pm 2464.1; (a) 10 16am (b) 4 10pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	75	5
Other Fixed Interest	1	9	7
Commercial, Industrial	133	461	875
Financial & Property	59	207	520
Oil & Gas	9	26	52
Plantations	1	2	6
Mines	40	22	86
Others	53	33	53
Totals	296	835	1,604

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings March 16
- Last Dealings March 27
- Last Declarations June 25
- For settlement July 6

3-month call rate indications are shown on this page.

Calls in BT New (partly-paid), BTR warrants '93/94, Sola Res., Conroy Petrlm., Dowty, B. Elliott, Ferranti, J. Laing, Pittencrieff and Proteus Intl. Puts in BT New (partly-paid) and TI Group.

LONDON TRADED OPTIONS

[illegible]

March 18 Total Contracts 26,907
Calls 16,758 Puts 10,149
FT-SE Index Calls 3,702 Puts 3,107
Euro FT-SE Calls 114 Puts 81
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
INDUSTRIALS		Charter Cons.	37	Ladbroke	17	Sears	8	**OILS**	
Allied-Lyons	49	Comm Union	32	Legal & Gen	27	SmKl Bchm A	65	Aviva Pet	30
Amstrad	6½	Courtaulds	39	Lex Service	16	TI	48	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	50	FKI	6½	Lonrho	15	Tesco	19	Conroy Pet	8
BOC	49	FNFC	8	Lucas Inds	10½	Thorn EMI	56	Gaelic Res	½
BTR	32	Forte	18	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	28	Midland Bank	19	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	23	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	**MINES**	
Bowater	58	Glaxo	89	Racal Elect	5	**PROPERTY**		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	16	Brit Land	18		
British Steel	6	GRE	10	Rank Org	52	Land Sec.	32		
Brit Telecom	24	Hanson	18	Ratners	3	MEPC	26		
Cadburys	33	ICI	90	Reed Intl	39	Mountleigh	1½		

UK COMPANY NEWS

Bowthorpe declines 11% despite German growth

By Angus Foster

BOWTHORPE Holdings, the electrical and electronic components maker, yesterday announced an 11 per cent fall in profits as the impact from recession outweighed a strong performance in Germany.

Pre-tax profits in 1991 fell from £45.5m to £40.3m – below market expectations. Taking out discontinued businesses, the fall was 8 per cent.

Mr John Westhead, chief executive, said any profit rise this year was likely to be modest. "But we have maintained our margins and are building for recovery," he said.

Turnover fell 9 per cent to £220.5m. In the UK, where its main customers include the construction and motor industries, conditions were tough. The UK accounted for 20 per cent of total sales, down from 28 per cent last year.

But sales in Germany remained buoyant, especially in the construction sector. Operating profits in mainland Europe increased from 37 per cent to 40 per cent of total profits.

Operating profits in the US improved, despite the recession, partly due to strong sales to the medical sector from Thermometrics, which made a full year's contribution for the first time.

Earnings fell to 14.04p (16.01p) per share. The company is recommending an increased final dividend of 4.34p (4.13p) for a total 5 per cent ahead to 6.04p (5.75p).

There was a £180,000 currency loss and losses of about £1m on restructuring costs. In the UK there were 150 redundancies.

● COMMENT

Bowthorpe's long practised strategy of developing niche markets internationally, and adding to growth through small acquisitions, is set for a little bit of a shake up. The company said it now intended to aim for bigger takeover targets, although the concentration on niche products would remain. This should not present a problem, since the company held net cash of £18.6m at the year end and has strong positive cash flow. Meanwhile, Bowthorpe's leading position in its key markets will underpin profits should the recession continue. Forecast profits for this year of £41m to £42m put the shares on 15 times earnings. But until the previous growth track is recovered, the shares are fully valued.

Banks support Porth as it warns of deficit

With its share price bumping along the bottom at 5p, Porth Group, the USM-quoted Christmas decorations maker, issued a statement yesterday to clarify its position, writes Ivor Duce.

The group warned of losses for the full year but said there were early indications of some upturn in orders for the 1992 season. Directors said however that it was necessary to fund the cost of stock build-up to satisfy the Christmas market for 1992 and they therefore announced that agreement in principle had been reached with their bankers to extend the facilities considered necessary to support immediate requirements for working capital.

Immediately following the announcement yesterday the shares rose 2p to 7p before ending the day ½p up at 5¼p.

Mosaic shares fall on warning

SHARES OF Mosaic Investments, the engineer and character merchandiser, fell from 206p to 120p yesterday following a warning that profits for 1991-1992 were likey to be materially affected by a significant downturn in the marketing services division, writes John Murrell.

A trading statement from the directors said the results of the division in January and February had fallen materially below expectations. As a consequence, they expected full year operating profits from marketing services to be "significantly less" than the £3.07m reported for 1990-91.

Over the first six months of the current year the division's operating profits fell from £1.5m to £539,000.

A rationalising programme of the division, to include the sale or closure of businesses, would be treated as an extraordinary item in the full-year results.

It was pointed out that the other sectors of the group continued to be profitable and were generally in a strong position.

For the year to April 1991 Mosaic achieved a rise in pre-tax profits from £4.84m to £7.56m. For the first six months of the current year group profits were little changed at £3.24m (£3.35m).

European Leisure £45.8m in the red

By Angus Foster

DISCO AND snooker hall owner European Leisure, under investigation by the Serious Fraud Office concerning its acquisition of Midsummer Leisure in 1990, yesterday announced losses after exceptional items of £45.8m and said it planned to sell up to 30 units to reduce bank borrowings.

The exceptional charges included provisions of £34.6m for losses expected on disposals and a £12.3m transfer of goodwill from reserves, in line with new accounting standards.

Mr Ian Rock, who took over as group managing director following the resignation of Mr Michael Ward last July, said the company aimed to raise between £10m and £12m from disposals over the next 12 months. This would be used to reduce bank borrowings of £76m, equal to gearing of 217 per cent.

European Leisure ran into trouble following the 1990 takeover of Midsummer Leisure. The recession, which has hit leisure companies hard, was combined with high interest costs and almost brought the company to collapse.

Mr Rock said that Barclays, the company's banker, remained "fully supportive" and has agreed in principle to provide additional borrowing facilities through to April 1993.

"I feel fairly confident the group does have a future. Maybe we do need a bit of luck, but we only need to see trading improve a little to see a big improvement," he said.

Trading profits almost halved to £4.85m (£8.77m) in the six months to end-December as discos and venue bars were hit by recession.

Interest costs fell to £3.76m (£4.35m). Snooker operations were more resilient and an amusement machine manufacturing division increased profits sharply to £1.75m, following the success of its Screenplay machine.

The retained loss totalled £56.4m (£1.76 profit).

● COMMENT

The market was not expecting exceptional charges of this magnitude. The hope must be that after making them public now, there are no more to come. The planned sell-off covers loss-making and non-core units and, given that European Leisure is effectively a forced seller, drastic provisions for losses seem sensible. The question is whether the company can find any buyers in time. Even if it does, it will be left with debt of more than £64m, and the first half performance would have been even more ghastly without a possible one-off from amusement machines. European Leisure has a very long way to go before it is safe. Even without the SFO cloud, the shares cannot be worth the risk.

Acquisitions help Steel Burrill Jones advance 11.7%

By Richard Lapper

STEEL BURRILL Jones, the insurance broker, yesterday reported an 11.7 per cent increase in pre-tax profits from £9.44m to £10.55m for the year ending December 31 1991.

However, part of the growth reflected the impact of acquisitions made during 1990 and 1991. Earnings per share increased by only 4 per cent to 19.94p (19.17p).

The dividend was increased by 8 per cent to 13.25p (12.25p) with a recommended final of 9p (8.25p), but the market reacted unenthusiastically with the shares unchanged at 237p.

Turnover rose by 23 per cent to £41m (£33.5m) while expenses increased by 21 per cent to £37.4m (£31m). Investment and other income amounted to £6.83m (£6.44m).

The figures included full-year results for WS Moody, the UK retail broker acquired in 1990, as well as full-year contributions from Martin Perry Associates and SBJ Speciality (which handles jewellery and other high value risks) in which controlling interests were acquired during 1991.

Mr Tony Keys, finance director, said income was up 10 per cent, while expenses rose by 5 per cent in underlying currency terms and after adjusting the figures to take account of the increased contribution from Moody.

Reduced capacity in the marine reinsurance market, as well as a weaker dollar and significantly lower interest rates had made for much tougher trading conditions and the group had focused its attention on efforts to reduce operating expenses.

Mr Keys expected those factors to constrain profitability in 1992 and accepted that the current problems of the Lloyd's insurance market – into which SBJ places between 20 and 30 per cent of its business – cast a shadow over prospects. The UK recession was also a source of concern. However, the group is now less dependent on the London marine reinsurance market.

NEWS DIGEST

Maunders declines to £2.19m

JOHN MAUNDERS Group, the Manchester-based housebuilder, unveiled a relatively resilient performance in the six months to end-December.

Pre-tax profits amounted to £2.19m, against £2.56m in the corresponding half of 1990.

Mr John Maunders, chairman, said that trading conditions would remain "extremely difficult" until political uncertainty was resolved and purchaser confidence returned.

Interest charges fell to £920,000 (£1.43m). Gearing at December 31 was about 22 per cent, although this will rise in the second half when most of the group's land purchases are made.

Although the period saw more completions – 405 against 371 – turnover declined 8 per cent to £26.8m partly reflecting discounted selling prices. The average price dropped from £78,740 to £66,260.

Earnings dipped to 5.97p (6.84p) per 20p share; the interim dividend is maintained at 2.3p.

Marginal growth at British Mohair

Pre-tax profits of British Mohair Holdings improved marginally from £2.52m to £2.62m over 1991, although turnover fell by almost £3m to £36.5m.

Mr Charles Fenton, chairman, said although demand for the group's products did not measurably improve, the textile division achieved a better performance. This was partly offset, however, by lower profits from engineering.

Earnings per share rose to 13.71p (12.71p) and a same again final dividend of 7.1p maintains the pay-out for the year at 8.5p.

Expanding SME rises to £1.6m

Sanderson Murray & Elder (Holdings), the expanding motor distributor, returned profits of £1.55m pre-tax from a turnover of £72.4m for the year to end-December.

The results compared with £836,000 and £22.6m respectively for the 18 months to December 31 1990.

Earnings rose to 44.1p (32.3p) and a proposed final dividend of 7p makes a 10p (same) total.

The company's 50p shares, which rose 11p to 535p yesterday, are to be sub-divided into five 10p units.

WSP shows sharp decline to £1.06m

WSP Holdings, the consulting engineer, saw pre-tax profits tumble almost 30 per cent to £1.06m in 1991 on turnover down from £11.5m to £9.6m.

A rise in interest charges of £106,000 reflected a full 12 months on the commercial mortgage to acquire the Bristol offices compared with seven months in 1990.

Earnings emerged at 7.2p (10.1p) and the final dividend is 1.8p maintaining the total at 2.9p.

Static year for Spandex

Profits of Spandex, a USM-quoted supplier of sign-making equipment, were virtually static at £4.2m pre-tax for the year to end-December.

The figure, which compared with £4.3m for 1990, was struck from turnover some £10m higher at £52m. The increase in sales reflected organic growth and expansion into continental Europe.

A proposed final dividend of 4.1p makes a 6p (5.5p) total. Earnings fell 4p to 20.4p per share.

British-Borneo Petroleum at £3.9m

British-Borneo Petroleum Syndicate, the oil and gas exploration company, reported profits after tax of £3.92m from total revenue of £9.21m in the year to end-December.

This compares with profits of £2.59m on revenues of £4.4m in the preceding nine months.

Oil and gas production achieved sales of £3.2m against £693,000, while profits from dealing activities were doubled to £4.21m (£2.12m).

Sir Douglas Morpeth, chairman, said there had been a substantial growth in production revenues from US operations, while the integration of new North Sea assets, purchased in November 1991 from Norsk Hydro, had made an initial contribution to the improved profits.

As forecast at the time of the placing and open offer in November 1991, directors are proposing a final dividend of 4.433p, making a total for the year of 7.1p (5.333p adjusted).

The dividend is covered 2.8 times by earnings per share of 19.95p (18.1p).

THORN EMI

THORN EMI Capital N.V.

(incorporated in the Netherlands Antilles with limited liability)

Notice to holders of 5¾ per cent. Guaranteed Redeemable Convertible Preference Shares 2004 ("RCPS")

Further to the notice given to the holders of the RCPS on 11th March, 1992 regarding an adjustment of the conversion price at which the RCPS are convertible into THORN EMI plc ordinary shares of 25 pence each, THORN EMI plc confirms that, in accordance with the terms of the Deed Poll, the conversion price per ordinary share has been adjusted from 745 pence to 716 pence.

If RCPS holders exercised their conversion rights prior to 19th March, 1992 and after 10th March, 1992 they will be entitled to be issued additional ordinary shares as if the adjustment to the conversion price had become effective on 10th March, 1992.

19th March, 1992

Revenue growth 8% in a recovery year. Earnings per share up 21%.

PRELIMINARY RESULTS

£1 = $1.77 for 1991 ($1.79 for 1990)

	Year to December 1990	1991	Change
REVENUE* (continuing operations)	£18,170m	£19,569m	+8%
PRE-TAX PROFIT	£945m	£1,050m	+11%
EARNINGS PER SHARE	23.0p	27.9p	+21%
DIVIDENDS PER SHARE	31.1p	33.6p	+8%

* Including exchanges managed by Farmers

● Tobacco trading profit, up 14 per cent to £1,075 million, comfortably breaks £1 billion barrier for the first time.

● Cigarette volumes increased by 3 per cent with buoyant sales of international brands. Exports up 24 per cent.

● Financial services £232 million trading profit from continuing operations, despite losses suffered by Eagle Star's general business.

● Good performances from Farmers, Allied Dunbar and Eagle Star Life.

● Recommended final dividend of 11.2p. Total for the year 33.6p, up 8 per cent, demonstrates the Board's continuing commitment to dividend increases substantially in excess of the rate of inflation.

B·A·T INDUSTRIES

Full financial statements for the year ended 31/12/90 have been delivered, and for the year ended 31/12/91 will be delivered, to the Registrar of Companies, both of which carry an unqualified audit report.

The full results are being posted to shareholders and copies are available from the Company Secretary, B.A.T Industries p l c , Windsor House, 50 Victoria Street, London SW1H 0NL

Trade Indemnity shares fall as loss grows sharply

By David Dodwell, World Trade Editor

TRADE INDEMNITY, the leading trade credit insurer in the UK, yesterday announced heavily increased pre-tax losses to £46.6m for 1991 and said it would pay no dividend for the year for the first time in its 74-year history.

Its shares closed 13p lower at 80p.

Mr Peter Dugdale, chairman, said: "The fight against the ravages of recession is not yet over." But he reported signs that business insolvencies were now levelling off at the 1991 level.

Trade Indemnity customers reported 8,824 business failures in 1991, up 60 per cent on 1990.

The company accounts for 82 per cent of the credit insurance underwritten in the UK.

The company's pre-tax loss, which compares with £28.8m in 1990, includes new provisions against an anticipated loss in the 1990 underwriting year of £20.6m.

The total projected loss for that year is now £37.5m.

The second main contributor to the loss was a £19.5m provision to wind up its Special Underwriting Unit, set up in 1985 mainly to specialise in commercial mortgage insurance.

The overall loss, which is cut back to £38.7m after tax recoveries amounting to £7.9m, consumes virtually all of last May's rights issue. It had raised £39.6m at 55p a share.

There had been speculation ahead of the company's results that the company would make a fresh call for funds. Mr Vic Jacob, managing director, yesterday scotched such talk. He said liquidity levels were "quite favourable", and the solvency ratio strong.

Following a premium rate increase of 40 per cent in May last year, premium income in 1991 rose by almost 30 per cent to £136.3m.

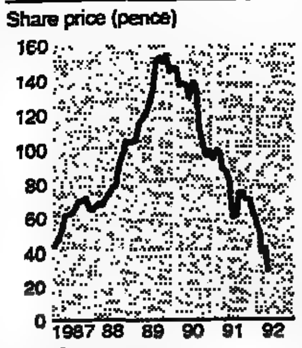
The company noted that record business failures had thrown the spotlight on the value of Trade Indemnity's services, lifting new business of continuing operations from £24m to £27m.

Trade Indemnity, which withheld its interim dividend in September, said yesterday it would not pay a final either. In 1990 it paid a total of 1.9p. Losses per share totalled 26.35p (21.64p adjusted for the rights issue).

● COMMENT

A loss in the middle of the UK's longest post-war recession was no surprise but analysts were shocked by the size of the deficit and the doubling of gross claims to £163m. Worse was the £19.5m cost of closing the Special Underwriting Unit. It was an awful postscript on the disastrous decision to move into mortgage security in 1985. It is understood the unit has paid out on, or made reservations against, virtually all of the 50-odd policies underwritten. The company expects to make no provisions this year. This is scant comfort for the nine European insurance groups who hold 80 per cent of its shares which have collapsed from a 52-week high of 101p. There will be relief that no new rights issue has been made immediately. But a fresh capital injection, perhaps resulting in a rationalisation of shareholdings, cannot be ruled out. Coface, the leading French export credit company with a 3.5 per cent stake bought last September, is probably licking its wounds. Swiss Re and Munich Re, which together hold just under 26 per cent, might see value in closer linkage between Trade Indemnity and Hermes, Germany's leading export credit company.

Trade Indemnity



Source: Datastream

CE Heath to float Australian subsidiary

By Richard Lapper

IN A move signalling its intention to concentrate on international insurance broking, CE Heath, the listed UK broker, yesterday announced the flotation of its long-established Australian underwriting business.

The group hopes to generate about A$108m (£44m) via the sale of 72m shares in CE Heath International Holdings, its Australian subsidiary, representing about 45 per cent of the company's enlarged capital.

The money is to be used to repay debt and fund the Australian subsidiary's expansion.

Mr Peter Presland, chief executive, accepted that the flotation – which will reduce HIH's contribution to Heath's profits – would be dilutive, which was one of the reasons for a negative response from the market which marked the shares down 21p to 418p.

After the flotation, which should go ahead in May, Heath aims to retain a 44 per cent holding in the enlarged venture, with HIH management holding 11 per cent.

With long term investment in mind Heath will purchase from HIH its shareholding in Trade Indemnity – representing 5 per cent of the issued share capital – for £7.4m cash.

In addition Heath will purchase from HIH its 80 per cent holding in Lloyds New York Insurance Group for £3.3m cash.

Some A$45.2m of the proceeds are to earmarked to finance the expansion of HIH, which specialised in commercial liability business. A$5m is to be allocated for the expenses of the flotation, A$40m to repay bank debt and A$17.8m to repay inter-company debt.

Ord Minnett Securities, the Australian stockbroker, will manage and underwrite the flotation. The deal is subject to shareholders' approval.

In the year to December 31 HIH earned unaudited pre-tax profits of A$24.6m on gross premium income of A$365.7m.

HIH directors forecast a pre-tax profit of A$43.7m for 1992, on the assumption that the flotation goes ahead without any hitches.

Problems of change in residency may arise for Midland/Hongkong

Heavier tax likely for combined bank

By Andrew Jack

THE ACQUISITION of Midland Bank by Hongkong & Shanghai Bank may impose substantial additional tax burdens on the combined group, it emerged yesterday.

It is believed that the Inland Revenue is likely to gain additional taxes from the group at the expense of other regimes overseas with lower rates.

Officials at Hongkong Bank were beginning to approach professional advisers and regulators yesterday to discuss the position.

One suggested that the need to consult more widely on tax implications was one of the main reasons for making the offer public, to prevent news leaking out before an announcement was made.

At the heart of the deliberations is the status of HSBC Holdings, a company established last April which is incorporated in the UK but classified as non-UK resident for tax purposes. This is possible because central control and management of the company rests in Hong Kong.

Subsidiaries of HSBC include Marine Midland, James Capel, the British Bank of the Middle East and Hongkong Bank of Canada and Australia, as well as Hongkong Bank itself.

Midland, currently resident for UK tax, would remain UK resident under the acquisition and become a subsidiary of HSBC. But there are questions over the non-resident status of HSBC as a result of the purchase.

Officials say HSBC was created to give the Hongkong bank a foothold in Europe in preparation for the single European market. But it also had significant tax advantages. Its status as non-resident means it is liable for Hong Kong profit tax, which stood at 16.5 per cent in 1990, compared with 33 per cent corporation tax currently charged in the UK.

The last published accounts for Hongkong & Shanghai Banking Corporation for the year to December 31 1990 – before the new arrangement was ratified – do not disclose tax liabilities. Those for HSBC Holdings only show liabilities against a Thai branch of the bank. The figures for 1991 are due to be published at the end of this month.

A senior adviser to HSBC said it would be "a naive conclusion" to assume tax issues had not been thought about in advance of the offer.

Hong Kong optimistic about deal

By Simon Davies in Hong Kong

WITH FOUR year's of build-up to HSBC Holdings announcement of proposals to take over Midland Bank, Hong Kong was prepared for the move if not for the timing.

A 107 point shock reaction on the Hang Seng Index was almost entirely reversed on Wednesday and the bulk of the financial community was cautiously favourable towards the decision, which will create a truly international rather than Hong Kong bank.

The fact that the Bank will reveal its inner reserves at least 18 months earlier than had been originally anticipated, was a main factor in the optimism clinging to banking analysts yesterday.

Most brokers estimated the hidden reserves to amount to between $HK20bn (£1.5bn) and $HK30bn and this provided significant support for HSBC shares against a back-drop of knee-jerk selling following Tuesday's announcement.

There was an absence of comment from Chinese officials, which was seen as a further positive.

The only official statement came from Beijing, where Mr Zheng Hua, Hongkong's New China News Agency spokesman, said "we hope that HSBC's activities will not affect Hong Kong's stability and prosperity".

However, there were whispers of discontent from mainland Chinese sources, expressing concern that the resources of the Hong Kong financial sector would be rechannelled into Europe.

While Mr David Li, the banking community's representative in Legislative Council, expressed surprise that a Hong Kong bank should wish to focus on what he described as a "sunset continent", at a time when so much attention was centred on the booming economies of south east Asia.

Mr Li, also chief executive of The Bank of East Asia, a local competitor of Hongkong Bank, said a UK banker had described the move to him as "just a colonialist going home".

He said the move would not damage the credibility of the financial market. "Hongkong Bank is not that important today", he said.

Mr Chim Pui-chung, a fellow Legislative Councillor, also expressed surprise. "The English groups in Hong Kong always had the advantage, but right now they are no longer better off than the other groups. But they will still find that Hong Kong is the best place to invest", he said.

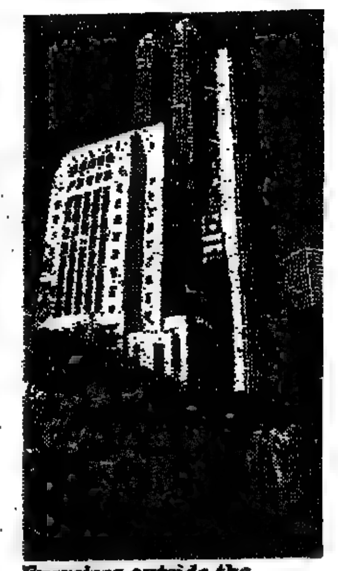
However, few individuals in the political or financial community took the argument that Hong Kong's quasi-Central Bank was out to buy a British passport.

The focus was firmly upon the commercial value of the deal. And once fears of a significant cash outlay had been calmed by insiders' assertions that it would be funded through new shares, the chief reaction was relatively positive.

"This is purely a commercial decision", said Mr Barry Yates, research director at Asia Equity. "I am very positive. Midland Bank has got the greatest recovery potential of all the UK banks".

Despite the impact of a likely increase in issued share capital of more than 40 per cent, a number of analysts suggested the effect would merely be to push back the strong earnings growth of HSBC by one year.

And with the announcement of inner reserves, the Bank would have to disclose full profits for 1992, boosting profit figures for that year. Baring Securities was forecasting a transfer to inner reserves of $2.67bn in 1992. Since this would become part of the disclosed profit figure, earnings per share for the enlarged group could exceed the original forecasts for HSBC.



Exercises outside the Hongkong Bank building

Call to revoke a restricting rule

HSBC shareholders will be asked to revoke the rule restricting shareholdings in the company to a maximum of 1 per cent if it proceeds with its proposed merger with Midland Bank, writes Simon Davies.

Following the planned share swap, the Kuwaiti Investment Office's 10.2 per cent stake in Midland would make it the largest single shareholder of the enlarged bank – assuming it accepts the proposals; while under the existing regulations it would have been forced to sell down its stake.

The 1 per cent restriction is entwined in Hongkong Bank's history.

It was made part of the Hongkong Bank Ordinance to ensure a wide shareholder base and to protect the institution, Hong Kong's quasi-Central bank, from corporate piracy. But it would significantly complicate a merger/takeover of a bank where no such restrictions apply.

The restriction was written into the articles of association of HSBC Holdings following the restructuring of the banking group in December 1990; but this can be overturned by a ruling from the board of directors. HSBC sources were adamant it would be put to the shareholders.

The colony's banking commissioner Mr David Carse said "this move would not concern us as supervisors, as it is too low a threshold".

He pointed out that under the existing banking legislation, anyone purchasing stakes in the bank beyond 10 per cent and 50 per cent thresholds would require the permission of the commissioner.

Asia Equity's research director, Mr Barry Yates, described the restriction as "an archaic regulation".

"It is particularly inappropriate for an international bank to have a restrictive limit on share holdings", he said.

The removal of the restriction would pave the way for stake-building in the enlarged bank, potentially boosting its stock market rating.

And although it might open the company to greater influence from shareholders, the banking group, which still acts as note issuer and manager of bank clearing in Hong Kong, would remain protected from aggressors.

Portals benefits from cost cuts

By Peggy Hollinger

PORTALS GROUP, the world's largest supplier of banknote paper, reaped the benefits of cutting costs last year to report a 2.7 per cent advance in pre-tax profits for the 12 months to December 31.

However, the group warned that any significant advance on 1991 would depend on an international economic recovery. "We have already done an awful lot," said Mr John Lloyd, finance director, referring to the cost-cutting, "and a lot of that we can do only once."

Profits of £27.6m (£26.9m) were struck on sales 2.2 per cent higher at £194.3m, with the bulk of the increase in the paper-making division.

Portals, which supplies some 130 countries with banknotes, reported a 21 per cent rise in paper-making profits to £20m, while margins rose by more than 2 percentage points to 20.5 per cent.

In the banknote division alone, said Mr Philip Conway, executive director in charge of paper-making, staff cuts in 1990 had resulted savings of £1m in 1991.

The biggest advance in the paper-making business came from JR Crompton, the tea-bag paper group purchased in 1990, and included for a full 12 months. Mr Conway said Crompton had made a significant improvement on the £4m operating profit reported in 1990.

The success of the paper operations was offset by a more mixed return from the environmental protection and control businesses. Although turnover in this division rose by almost 2 per cent to £94.2m, operating profits slipped 8.4 per cent to £7.83m.

Airoil-Flaregas, which makes low emission burners for the petrochemical industry, returned a loss for the full year.

Houseman, which is dependent on the depressed construction industry through its air and water hygiene businesses, maintained profits, while the computer technology division improved its performance.

The loss-making Kay business, which makes gas and water pipe fittings, had been closed at an extraordinary cost of £990,000.

Central operating profits, comprised of property gains offset against overheads, reported a £2.2m drop to £234,000.

Net debt was cut from £14.4m to £5.8m, making a gearing level of 6 per cent. The final dividend is raised to 8.8p (8p), making a total of 13.8p (13p).

Fully diluted earnings per share rose to 31.42p (30.58p).

● COMMENT

If you are looking for a great recovery stock, Portals is not the one. But for a defensive play, the group cannot be faulted. Even in the deepest recession, the world's tea drinkers will continue to boil kettles, and banknotes will continue to circulate. What growth the group expects as the economy recovers should come from the lower margin environmental businesses; but, by its own admission, the next acquisition is likely to be in specialist paper. This will further strengthen the group's defensive position. Forecasts are for £29.5m pre-tax, giving a multiple of about 11.6. A stock for tortoises rather than hares.

Try advances 22% to £2.2m

By Peggy Hollinger

Try, the property and construction group, yesterday unveiled a 22 per cent rise to £2.2m in pre-tax profits for the year to December 31.

It also reported that sales of its houses had doubled in the last six weeks.

Mr Hugh Try, chairman, said that although the actual number was small, the company had seen a "definite pick up" in sales. The increase in activity had been felt across the group's geographical spread of Scotland, East Anglia and south of London. During the year Try sold 168 units, compared with 171 last time.

He warned, however, that the contracting industry continued to face a difficult period. "We are not prepared to maintain volume without an acceptable margin," he said. Operating profits in the contracting division fell by £1m to £2.3m.

Group turnover during the year fell from £124.6m to £114.3m. The housebuilding division reduced losses from £3.5m to £1m, after the £1m exceptional write-down on the value of housing land. A further £3.2m extraordinary provision was made against the closure of the property development division.

The final dividend is maintained at 4p for a 6p (same) total.

Environmental side lifts Rentokil

By Roland Rudd

RENTOKIL GROUP, the environmental services and property care concern, yesterday continued to live up to its promise of delivering at least 20 per cent growth in profits and earnings by reporting a 27 per cent rise in pre-tax profits, from £74.7m to £94.6m, for 1991.

Profits were boosted by strong growth from environmental services, which contributed £87.6m (£62.6m), more than offsetting the decline from £8.4m to £5.41m in property profits.

Earnings per share rose to 15.59p (12.22p). Sales totalled £389m (£309m).

Mr Clive Thompson, chief executive, said Rentokil could continue to grow at this pace because of the worldwide demand for its environmental services.

Sales grew faster outside the UK. While turnover was up 10 per cent in the UK to £166.4m (£151m) it was up 22 per cent in North America at £42.7m (£35m); 40 per cent in Europe at £112m (£79.7m) and 57 per cent in Asia, Pacific and Africa at £68m (£43.3m).

Year end net cash was £27.2m after acquisitions costing £43.6m.

A final dividend of 2.9p makes a total of 4.23p compared to 3.3p. A share split is also proposed.

See Lex

NOTICE TO THE HOLDERS OF

US$ 200,000,000
9⅞ per cent. Guaranteed Notes due 1996
(the «Notes»)
of
Electricity Corporation of New Zealand Finance Limited
(the «Issuer»)

constituted by a trust deed (The «Principal Trust Deed») dated 25th July, 1989 and made between the Issuer, Electricity Corporation of New Zealand Limited as Guarantor and The Law Debenture Trust Corporation p.l.c. (the «Trustee») as trustee for the holders of the Notes as amended by a supplemental trust deed (the «First Supplemental Trust Deed», and together with the Principal Trust Deed, the «Trust Deed») dated 25th January, 1990 and made between the same parties as are parties to the Principal Trust Deed

Notice is hereby given to the holders of the Notes that:

(i) the Trustee was requested that Electricity Corporation of New Zealand Limited, the Issuer's Parent Company, be substituted for the Issuer as principal debtor in respect of the Notes and the Coupons appertaining thereto in accordance with clause 19 of the Trust Deed;

(ii) the Trustee, having been satisfied as to the fulfilment of the various conditions precedent set out in clause 19 of the Trust Deed, has agreed to the implementation of the substitution;

(iii) the substitution has been implemented by a Second Supplemental Trust Deed dated 6th March, 1992 made between the Issuer, the Trustee and Electricity Corporation of New Zealand Limited with effect from that date, pursuant to which certain consequential amendments have been made to the Terms and Conditions of the Notes;

(iv) the Notes will remain listed on the Luxembourg Stock Exchange under the name of the Issuer after which there will be a reference to Electricity Corporation of New Zealand Limited; and

(v) no stamping or exchange of the Notes or Coupons is required as a result of the substitution.

Copies of the Trust Deed and the Second Supplemental Trust Deed are available for inspection at the specified office of each of the Paying Agents named on the reverse of the Notes and the Coupons appertaining thereto.

Dated March 19, 1992

Issued by Kredietbank S.A. Luxembourgeoise
on behalf of The Law Debenture Trust Corporation p.l.c.

Britannic Assurance ahead 37%

By John Authers

BRITANNIC ASSURANCE, the life assurance group, yesterday announced total net profits for 1991 of £24.7m, an increase of 37 per cent from 1990.

The figures included an exceptional transfer from its industrial life fund of £4.9m. Life business profits excluding this transfer increased 21 per cent to £19.5m.

The transfer, which was made to bring Britannic's bonus payments for industrial branch contracts in line with the bonus structure for its ordinary savings contracts, increased the funds available to shareholders. Britannic therefore paid a final dividend of 20.3p (17.3p) bringing the total for the year to 29.5p, up from 25.3p.

This was slightly ahead of some expectations, and the shares rose against the market trend from 847p to 852p.

However, analysts said that the exceptional transfer was not solely aimed at maintaining dividends, and that the results pointed to promising underlying strength.

Mr Roman Cizdyn, insurance analyst at Smith New Court, said: "The really important point to make is that they are already generating significant profit from personal pensions which they sold during the recent boom. There is some genuine growth in these results, based on recent management action."

The total underwriting loss for the general branch was £6.81m, compared with £5.89m in 1990. This included losses on property of £4.96m, and on motors of £1.55m.

Mr Alan Richards, insurance analyst at James Capel, said: "The underwriting loss is 26 per cent of premium income, much in line with the industry average." He was predicting a surplus next year of £24.5m, and a dividend rise to 33.5p.

ASH shares drop on 31% decline

By Jane Fuller

The share price of Automated Security Holdings, which supplies burglar alarms and other security products, fell from 133p to 102p yesterday – knocking about £35m off its market value – on disappointing annual results.

Pre-tax profit fell 31 per cent to £23.2m (£33.2m) on turnover of £193.7m (£200m) for the year to November 30. The market was expecting nearer £30m. It was the first profit fall after 18 years of growth.

Earnings per share were 51 per cent down at 11.4p (23.3p) on a higher tax rate of 16 per cent.

Mr Tom Buffett, chairman and chief executive, said the main damage was caused by large systems contracts for nuclear power stations and property developments. This had turned from an £800,000 profit in 1990 to a £2.6m loss.

The group had got involved in long-term contracts for the first time in late 1989 and it had turned out to be a mistake. A £5.9m charge for closing the operation down contributed to a total of £15.2m taken below the line.

Other extraordinary items included £4m of professional fees for an abortive flotation of a loss prevention division and two halted acquisitions. These costs had been building up over three years. A £5.3m loss was taken on the disposal of a stake in Gardiner Group, another security concern.

In security systems operating profit slipped to £35.1m (£37.2m) on £119.4m (£120.9m) sales. Loss prevention, including tagging and telesurveillance, improved to £12m (£10.6m) on £61.9m (£58.9m) sales. ASH planned to integrate the two business segments.

In the UK, where 71 per cent of turnover lay, the streamlining already under way would save between £10m and £12m a year, at an initial cost of £4m.

Net debt stood at £95m in November, giving gearing of 59 per cent. This was counting £60m of convertible capital bonds as equity. After their issue in May, gearing had fallen to 37 per cent. Interest costs were £800,000 down at £13.9m.

The dividend is unchanged at 4.9p after a 2.83p final. It necessitated an £8.18m transfer from reserves.

SEC filing prices GPA float at $25

By Roland Rudd

THE PROPOSED maximum offering price for shares in the GPA flotation is $25 (£14.20p) according to its filing document with the Securities and Exchange Commission in Washington, the US regulator.

Guinness Peat Aviation, the world's biggest aircraft leasing company, was quick to point out yesterday that it was not tied by a price that was simply used to calculate its SEC registration fee of $93,750.

However, when GPA announces its price range in May, advisers to the group believe it is likely to be below the proposed maximum price of $25 contained on the front of its document.

That is a view shared by some of GPA's shareholders, which could cause the group some problems as its advisers negotiate terms to prevent them from selling immediately after the secondary sale.

GPA's advisers expect all of the group's existing shareholders to agree to a form of "lock-up" that would allow them to sell some shares during the offer but not for six to 12 months after the sale.

The Mitsubishi Trust and Banking Corporation, which according to its SEC Form F-1 statement is its largest shareholder with 12.8m shares, is known to be keen to reduce its holding. Air Canada, with 10.8m shares, and Aer Lingus, with 9.9m shares, would also like to sell "at the right price".

But the problem is to determine the right price. Some of their shares were bought for $32, although the majority were purchased at considerably less. If shareholders do not come to an agreement with the company they forfeit their chance to sell in the secondary offer.

One shareholder which has decided it is not worth waiting is Hanson, the international conglomerate. It yesterday confirmed the sale of its 2 per cent stake of 1.2m shares for $20.57 a share.

As Hanson put it: "Our banks were not exactly about to default on us". The conglomerate may have thought that it was not worth negotiating a lock-up agreement before a sale which would only realise a little more than it received for all its shares.

Directors and executive officers of GPA have options to purchase 595,000 ordinary shares at prices ranging from $5.10 to $32.50, with a weighted average price of $19 per share.

The F-1 document also contains new information on GPA's results for the nine months to the end of December. Revenues from aircraft leasing increased by 46 per cent, from $416m to $606m, reflecting an increase in the number of GPA aircraft on lease from 216 to 281.

Revenues from sales of aircraft and aircraft-related products fell by 20 per cent from $1.05bn to $841m, mainly because the number of aircraft sold fell from 40 to 22, reflecting the difficult trading conditions prevailing in the industry.

The document warns: "The duration and severity of these difficult trading conditions will depend in part on the duration and severity of the recession but management believes it is likely that they will continue through at least fiscal 1993 and lease rates may not recover during that period."

GPA made provisions of $11m against lease receivables in case airlines get into difficulty and are unable to pay their leases. Although they are required to pay an upfront deposit of three months, GPA expects some airlines to default on their payments.

The group has also made provisions of millions of dollars against the falling price of some of its older narrow-body aircraft.

The importance of the flotation is underlined by the fact that GPA's firm orders to buy aircraft from manufacturers until the year 2000 has risen to $12.1bn with options, costing $9.5bn, to purchase additional aircraft.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Arcolectric	fin	0.58	May 16	0.58	1.11	1.06
Automated Sec	fin	2.83	June 5	3.1	4.91	4.9
BAT Industries	fin	11.2	June 4	10.4	33.6	31.1
Bowthorpe	fin	4.34	July 6	4.13	6.04	5.75
Britannic Ass	fin	20.3	May 14	17.3	29.5	25.3
British-Borneo	fin	4.433†	-	2.666*	7.1†	5.333*‡
British Mohair	fin	7.1	May 28	7.1	8.5	8.5
Clyde Petroleum	fin	0.75	May 8	0.75	1.25	1.25
European Leisure	int	nil	-	0.5	-	0.7
Lionheart	fin	0.3	July 2	-	0.3	-
Marley	fin	4.25☆	July 1	4.25	6.35	6.35
Matthews (B)	fin	2.5	May 8	2.5	4.5	4.5
Maunders(John)	int	2.3	Apr 30	2.3	-	4.95
Portals	fin	8.8	July 1	8	13.8	13
Rentokil	fin	2.9	Apr 10	2.24	4.23	3.3
RPS §	fin	0.6	-	1.8	2	3.2
Sanderson Murray	fin	7†	May 1	10	10	10‡‡
Spandex §	fin	4.1	July 17	3.75	6	5.5
Steel Burrill	fin	9	May 28	8.25	13.25	12.25
Trade Indemnity	fin	nil	-	1	nil	1.9
Try	fin	4†	May 29	4	6	6
WSP	fin	1.8	May 12	1.8	2.9	2.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡For nine months. ‡‡For 18 months. ☆Scrip option.

Cost cutting helps Marley advance 75% to £25m

By Roland Rudd

A REDUCTION in overhead costs helped Marley, the building products manufacturer, report a 75 per cent increase in pre-tax profits, from £14.3m to £25m, for the year to end-December.

Operating profits increased to £37.2m (£35.2m) on turnover down 10 per cent from £639m to £574m.

Mr George Russell, chairman, said a "worldwide blast" against a level of overheads that could not be sustained brought savings of about £30m.

As part of the cost cutting exercise the group yesterday announced the merger of five UK companies – Marley Roof Tiles, Marley Brick, Marley Paving, Marley Transport and Thermolite – into one new group entitled Marley Building Materials.

Provisions totalling £2m in respect of the restructuring, charged as an exceptional item, were offset by surplus provisions and the sale of a collection of paintings.

Extraordinary charges of £5.5m reflected costs and losses associated with the closure and sale of the North American roofing operations.

Plumbing, mouldings and flooring increased operating profits to £27m (£19.3m) boosted by strong performances in Germany. Marley benefited from the growth of DIY stores in eastern Germany. From nil at independence there were now 200 DIY stores, a number which could double by the end of the year.

Roofing increased profits to £9.4m (£7.5m) in spite of a fall in sales from £196m to £158m, benefiting from the group's cost cutting exercise. Across the company the workforce was reduced by 1,500 to a total of just under 10,000.

Bricks, blocks and pavers were worst affected by the recession, reporting a £5m loss compared to a £1.5m profit.

Automotive components suffered a fall in profits to £1.2m (£1.8m), while property was down at £4.6m (£5.1m). The group also announced the sale of a group of buildings for £6m.

Net borrowings were reduced by £18m to £91.7m, giving gearing of 41.3 per cent. Mr Russell said the group was well placed to make acquisitions to fit into the growing areas of the business.

Earnings per share rose to 6p (3.5p). A final dividend of 4.25p gives an unchanged total of 6.35p.

COMMENT

If Marley is proving a recovery stock with turnover down it is not surprising that analysts are predicting further earnings growth as sales increase. Although last year's figures included an exceptional £7.7m relating to redundancies and business rationalisation, the profit increase was still impressive in the midst of a recession. Few at the centre were untouched by the cost-cutting programme; the central personnel department was axed and more than half of the 100 employees working at head office lost their jobs. The dividend is barely covered. But it could easily have been if the group chose to be less conservative about its accounting policies and take a £3.5m currency gain below the line instead of through reserves. With 1992 pre-tax profit forecasts of about £32m, giving earnings per share of 7.6p, the shares are trading on a prospective multiple of 16, indicating that the recovery is already in the price.

Coming ιean on spreading waste problem

Richard Gourlay the thinking behind Caird's pioneering environmental audit

NEXT MONTH, Waste Management Inc of Chicago, the world's largest refuse collection and treatment group, is to float off part of its international operation on the London market.

It is a move eagerly anticipated by UK waste management companies which hav had to weather a bruisin recession that last yea checked the sector's rapi advance.

If the US' largest waste cor pany with 20 years' experien is raising about £250m invest in Europe, the argum goes, then the market m again be ripe for growth.

At the other end of the sc Caird, one of the newest w management companies in UK, is one of a handfu smaller groups preparing this growth which is like spring from a much tig regulatory environment.

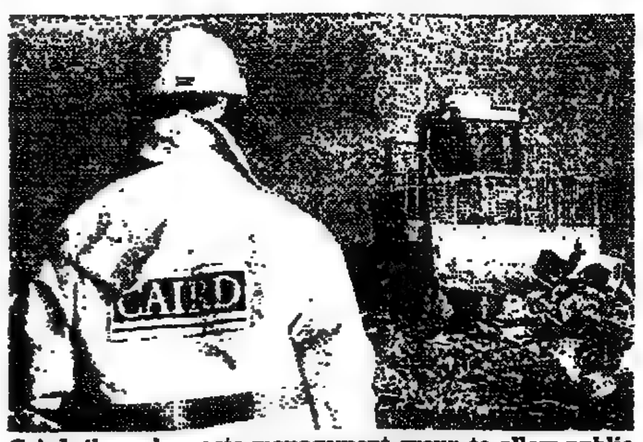
The first task of s smaller companies is to up the image of an ind that has long been fragn and poorly regulate Europe, especially in the

Having grown at a k neck speed in the late d inherited environmental blems on some of its 30 s and has now set itself one he stiffest challenges of all. The group, built at break ck speed since 1987 by ex ckbroker Mr Peter Linacre, s adopted a novel approach. has opened the gates of its ndfill sites in the UK to independent environmental audiors and allows public scrutiny f the auditors' unedited reports.

"The environmental audit underwrites our strategy, the way we look forward and the way we view our potential liabilities on our sites," says Mr John Phillips, Caird's senior operations director.

The auditors, Gibbs International, not only monitor gas emissions and leachate levels, but also inspect Caird's management systems and its methods of mapping where the most hazardous waste, like asbestos, is buried.

Now in their third year, the audits have already highlighted some incidents and practices that Caird might have wanted to bury but which, to its credit, the group has made no effort to suppress.



Caird: the only waste management group to allow public scrutiny of the environmental auditors' unedited report

Last June, for example, two hazardous liquids were accidentally mixed at Caird's Minworth special waste disposal site, creating a gas that exploded, killing one worker.

Caird was in the process of securing Health & Safety Executive approval for modified operating practices when what Mr Linacre called "the tragic rogue incident" occurred. The accident will be reported in this year's audit.

Last year the audit also highlighted a problem with open trench disposal of waste liquids at the Rotherham landfill site. Mr Geoff Mills, the Gibbs auditor, felt this was potentially dangerous, even though it complied with Her Majesty's Inspectorate of Pollution guidelines. Caird now mixes the liquids with solid waste.

Caird is not the only waste management company to audit its impact on the environment but it is the only UK company to publish an unedited report.

Cleanaway and Shanks & McEwan, for example, use internal environmental advisory boards. The Shanks board includes such luminaries as Lord Cranbrook, chairman of English Nature, and Mr Graham Searle, the founder of Friends of the Earth who is also a Rechem non-executive director.

Shanks is also the most advanced of the UK waste companies in accrediting its sites under British Standards Institution 5750, the "kitemark" which demonstrates good management practice. Leigh Interests is also developing this approach, as is Caird, which has so far accredited three of its 15 working sites.

Caird's Minworth plant, however, was not BSI 5750 accredited at the time of last year's accident, an event which in turn delayed application for a BSI audit, Mr Linacre says.

By contrast, Biffa – acquired by Severn Trent last year – has neither an external audit nor an environmental advisory board. It says internal teams constantly monitor the organisation but that Biffa is too big to allow an external audit. Within the last month, however, it has appointed a manager to seek BSI 5750 accreditation for its sites.

With the Environmental Protection Act taking a grip and EC legislation slowly catching up with what has long been in place in the US, the new skills waste management companies are developing are likely to be assets in their own right.

Companies will increasingly need to clean up contaminated land and local authorities are likewise going to need help clearing old rubbish sites. Despite the government's recent decision not to form a register of contaminated land following pressure from the property lobby, waste companies feel it is only a matter of time before this is set up, creating further demand for waste management companies.

For Caird, this contracting-out of services is likely to have begun to feed through to the bottom line when it reports for 1991 today. Pre-tax profits, estimated by brokers to rise 40 per cent to about £7m, are likely to include a sharp increase from the special waste division.

Securicor boosts parcels presence

By Richard Gourlay

SECURICOR Omega Express's purchase on Tuesday of Federal Express's domestic UK parcel delivery business moves the group a small but significant step closer to the Post Office's Parcelforce, the dominant market leader.

The £7.1m acquisition follows Federal Express's decision to withdraw from domestic European delivery services and concentrate on its intercontinental express services.

Securicor Omega, a subsidiary of Security Services, is buying Federal Express's customer base, which last year had sales of £40m, and its computerised despatch system.

Securicor Omega will not however, be responsible for any of the 3,400 jobs which are to be lost at Federal Express although the company will be increasing its own workforce by about 400.

The acquisition could add about 3 per cent of the UK £1.6bn parcels market to the 12 per cent Securicor Omega already controls. But it leaves the group a distant second behind Parcelforce, which controls 33 per cent of the market.

The new business will fit directly into Securicor Omega's existing network of 3,700 vehicles run out of 128 locations throughout the country. The company will also buy 250 of Federal Express's 3,000 vehicles.

"We are increasing market share with profitable business and are taking on £40m of business almost overnight," said Mr Roger Wiggs, chief executive of Securicor, which owns 51 per cent of Security Services.

Federal Express will retain the right to international collections and delivery inside the M25 orbital motorway around London. Securicor Omega will also deliver and collect all Federal Express's international parcels to and from destinations outside the M25.

Mr Pat Howes, Securicor Omega chief executive, said that after buying into the UK in 1987, Federal Express failed to gain the critical mass for a nationwide domestic delivery service.

It had rolled out its branch network too quickly in a market that was then hit by recession and the structure of its operations left it with very high overheads.

Most of Federal Express's business was high margin overnight parcel delivery and not the lower margin two day service which currently makes up the majority of Securicor Omega's sales, Mr Wiggs said.

Gateway bu Somerfield e

By John Thornhill

Gateway, the groce hain which forms the ba the Isosceles investment pany, is to convert 13 mor es to its up-market Somer trading format by the en April.

This will bring total number of Somerfie res to 27 with a tradin ea of 210,000 sq ft.

Gateway is also verting three superstores Food Giant format sell a wide range of heavily unted lines. This bring e total number of Food G to 18.

Isosceles, whic is week revealed it was ing to float Wellworth, Northern Ireland food ret subsidiary, has been oping its new format s in an attempt to addre at it sees as a segmenting market.

Somerfield s typically trading from h street sites in market town e targeted at convenience pers. Food Giant is squar med at the discount mark

Weak oil price cuts Clyde Petroleum to £3.04m

By David Lascelles, Resources Editor

CLYDE Petroleum reported a sharp fall in pre-tax profits last year because of the weak oil price. However, the independent oil and gas exploration and production company still intends to pursue an expansive exploration policy.

Profits were £3.04m for 1991, down from £9.98m last time, equivalent to earnings of 2p (2.9p) per share. The fall came despite a sharp increase in daily production, from the equivalent of 19,000 barrels of oil a day to 24,000 b/d. But the realised UK price amounted to £11.37 per barrel, compared to £13.42.

The company's proven and probable reserves amounted to 195,774m barrels of oil equivalent, down from 197,289m. Dr Colin Phipps, chairman, said the company continued to seek new oil sources, mainly in regions outside its traditional North Sea area of operation.

There had been particularly encouraging results from a well off the east coast of the Malaysian peninsula. It was still being tested but appeared to contain several reservoirs of high quality oil

The group is maintaining its final dividend at 0.75p leaving the total for the year unchanged at 1.25p. It said, however, that there was inevitably a conflict between the need to fund exploration and the requirement to pay dividends.

Because of expanded international activity and the weak oil price, directors said they would review future dividend policy.

Bristol & West up 11% despite bad debt charge

By David Barchard

BRISTOL & WEST, the 10th largest building society, last year increased pre-tax profits by 11 per cent despite the depression in the housing market.

The outcome amounted to £67.4m, up from £60.6m in 1990, though the society had to make a bad debt charge of £24.5m, up from £5.4m. Total group assets rose from £5.64bn to £7.14bn.

During the year the society took over the Cheshunt, only to discover that its reserves were wiped out by its bad debt, leaving a shortfall of £5m. The merger contributed £392m to total assets, despite the high proportion of bad debt.

The society also incurred a £3.5m loss on its two estate agency chains.

Both its lending and savings businesses expanded during the year. The mortgage book increased from £4.32bn to £5.34bn, with net mortgage advances up from £1.18bn to £1.31bn. Mr Tony FitzSimons, chief executive, said that the society had 5,600 customers in arrears of 12 months or more at the end of 1991, about 3 per cent of its total mortgage customers.

Savings rose sharply, growing from £189m to £436m.

The cost-income ratio was up from 50.7 per cent to 53 per cent, but Mr FitzSimons said that the ratio for the building society operations was down from 41.5 per cent to 40 per cent. During the year the society spent £14m on developing its computer systems and £10m on new store developments.

Mr FitzSimons said that the society had turned in a strong performance. "Our balance sheet is absolutely rock solid," he said.

Price war hits Bernard Matthews

By Richard Gourlay

Bernard Matthews, the Norfolk-based meat producer, yesterday reported a 15 per cent fall in profits as a war between chicken manufacturers last year undercut the market for its oven ready turkeys.

Pre-tax profits fell from £15.5m to £13.2m on sales marginally down at £148.4m (£150.1m).

Earnings per share fell from 7.99p to 6.95p and the final dividend is held at 2.5p, giving a total of 4.5p for the year.

Mr Bernard Matthews, chairman, said the whole bird and oven ready turkey market had been hit by chicken prices that fell last year to as low as 39p per pound.

The recession had also hit food sales and there was evidence that there had been an overall drop in food consumption.

PUBLIC WORKS LOAN BOARD RATES
Effective March 18

Quota loans*

Years	EIP†	At††	At maturity§
1			10¾
Over 1 up to 2	10¾	10¾	10¾
Over 2 up to 3	10¾	10¾	10⅝
Over 3 up to 4	10¾	10¾	10⅝
Over 4 up to 5	10⅝	10⅝	10⅝
Over 5 up to 6	10⅝	10⅝	10⅝
Over 6 up to 7	10⅝	10⅝	10⅝
Over 7 up to 8	10⅝	10⅝	10¾
Over 8 up to 9	10⅝	10⅝	10¾
Over 9 up to 10	10⅝	10¾	10¾
Over 10 up to 15	10¾	10⅞	10⅞
Over 15 up to 25	10⅞	10⅞	10¾
Over 25	10¾	10¾	10⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Price Waterhouse

FINANCIAL TIMES CONFERENCE ORGAΝATION

present

MANAGING FINANCIAL RISKS

30 & 31 March; 6 & 7 July; 12 & 13 October; 30 November & 1 December 1992

The Financial Times and Price Waterhouse have responded to market needy developing a two day event on Managing Financial Risks.

This intensive, practical course will give advice and direction on the use ofrivative instruments, how to measure credit and market risks, how to set appropri limits, how to identify operational and systems risks and how to use risk adjustedofitability measures.

Visiting speakers include:

Jonathan Britton
Director, Treasury & Fixed Income
Swiss Bank Corporation, London

Crispin Southg
Director and Hea
Financial Engineeg
Charterhouse B

Dennis Gartman
President
The Gartman Letter

Neil Thomas
Head of Derivativesading
Sanwa Financial Plucts

Resident speakers from the Price Waterhouse specialist Financial RiManagement Group include Andrew Stott, Steve Watson and Chris Taylor.

Course Director: Andrew Stott

Please send me further details:

MANAGING FINANCIAL RISKS

To: Financial Times Conference Organisation
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Name
Position
Company
Address
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Postcode Count
Tel Telex Fax
Type of Business

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Data source The Readership of the City Survey 1990 (RSL)

FINANCIAL TIMES

Platinum down on S African vote

By Kenneth Gooding, Mining Correspondent

PLATINUM'S PRICES fell sharply in London and New York yesterday as it became clear that South Africa's white voters had approved political reform by a wide margin in their referendum.

The referendum result ended concerns that a "no" vote might be followed by disruption at the South African platinum mines which between them last year contributed nearly two-thirds of world supply outside the former eastern bloc countries – 2.9m out of 4m troy ounces.

At one stage in London yesterday the price was quoted at $348.50-$349.50 an ounce, nearly $7 below Tuesday's close. Yesterday's London closing price was $352.25, down $3.50 an ounce for the second successive day. Since Tuesday morning platinum had lost about 2 per cent of its value.

On the New York Mercantile Exchange at midday platinum's most-active April contract had fallen below the psychologically-important $350 an ounce level to $349.

"Platinum needs to get back to about $353-$354 an ounce, otherwise more waves of selling could push it down into the low $340s," one London dealer said.

Mr Michael Spriggs, analyst at the S G Warburg Securities financial services group, pointed out that, when there were no other influences, precious metals tended to feed off one another and platinum would follow gold's performance. Gold, which lost 2 per cent of its value on Monda[y] and Tuesday, recovere[d] slightly yesterday and close[d] in London up $1.20 at $340.6[0] an ounce.

Mr Spriggs said platinum was now virtually an industrial metal and would do better in the second half-year as economic recovery began to be felt in the US. Warburg had forecast an average price of $385 an ounce for 1992 but this was in the process of being revised downwards to about $370 or $375.

Consumption forecast to surge by 1995

By Kenneth Gooding

PLATINUM CONSUMPTION by the automotive industry is set to rise by 55 per cent, or 865,000 troy ounces, to about 2.4m ounces between 1991 and 1995, according to a report by the American Precious Metals Advisors consultancy organisation. Car manufacturers consumed about 36 per cent of total supply last year and could use 50 per cent by 1995 as tougher limits on vehicle emissions are introduced, it points out.

On the supply side, the consultancy suggests that exports by Russia, second-largest producer after South Africa, are already falling and this year are likely to be pushed back by production difficulties from nearly 1m ounces to 370,000 ounces, near the levels seen in the 1980s.

Platinum Trends ('000 troy ounces)

	1991	1995(f)		1991	1995(f)
Supply			*Demand*		
Mine output	3,060	4,230	Autocatalyst	1,535	2,400
Secondary	250	350	Other industrial	820	900
East bloc sales	970	200	Jewellery	1,470	1,810
Total	4,280	4,780	Total	3,825	5,110
			Surplus	455	−330

Source: APMA. (f) forecast.

During the 1980s the Soviet Union sold an average of 350,000 ounces a year, equivalent to about 12 per cent of total annual platinum supplies. In 1990, however, Soviet sales jumped to 700,000 ounces, about 17.5 per cent of total supply, and last year they are estimated to have reached 990,000 ounces or 23 per cent of supply.

Some of this came from strategic stockpiles or industrial stocks rather than current production, which is probably well below annual capacity, estimated to be between 700,000 and 800,000 ounces.

The big jump in sales from the former Soviet Union boosted the annual supply surplus from 210,000 ounces in 1990 to an estimated 455,000 ounces last year, says APMA.

However, this year there may be a small supply deficit (about 75,000 ounces), which by 1995 could widen to more than 300,000 ounces. "This deficit, in combination with rising investor interest, will force platinum's price substantially higher by the middle of the decade," the report suggests.

In spite of cuts recently made to South African producers' planned expansion programmes, its platinum output could rise by more than 40 per cent between 1991 and 1995, from 2.8m ounces to 3.95m, says APMA – "if South African politics and race relations don't interfere."

Platinum in the 1990s, from APMA, Boca Raton, Florida, US.telefax 407 998 9081.

US increases spending on wheat export subsidies

By Nancy Dunne in [Wa]shington

[TH]E US Department of [Agr]iculture has been spending [mo]re than ever on wheat [expo]rt subsidies, despite a proj[ecte]d 18-year low in US wheat [stoc]ks, in order to maintain US [forei]gn market share.

[Mo]st of the subsidies, paid [out] under the US Export [Enh]ancement Program, are going to wheat shippers. [Tho]ugh stocks are projected [...] to 390m bushels by the [end o]f the marketing year, [accord]ing to the National Asso[ciation] of Wheat Growers. It s[aid to]tal subsidies could sur[pass $1].5bn this year – 50 per ce[nt mo]re than the 1988 record.

[Alth]ough the US price st[rengt]hened to about $4 a bu[shel,] subsidies were averag[ing abou]t $54 a tonne through Feb[ruar]y, well above the previous[year]'s levels. This month they[hav]e fallen to the mid-$40s[...], which is still above 1991[, a U]SDA official said.

Th[e EEP is] being watched closely by [Austr]alian officials, who earli[er thi]s year pleaded with Presi[dent] Bush to ease up on mark[et-dep]ressing subsidies. Mr J[...]ault, attache at the Austr[alian] embassy in Washingto[n, said]: "It is a considerable c[once]rn to us that the EEP i[s bei]ng used so aggressively [in ci]rcumstances where US sto[cks ar]e historically low".

Ame[rican] officials, however, have ar[gued] that they are simply try[ing to] match the price set by [the E]C. "We get the same st[ory f]rom Europe," he said. "T[here] is an element of validity [on bo]th sides, but once you get [comp]etitive subsidisation goin[g,] then prices don't rise to t[he e]xtent that they should."

At the [sam]e time, the US wheat far[mers] were *infuriated* by a USDA [propo]sal to offer subsidies for [a ...] tonne sale of wheat to [Indi]a. Department officials [off]ered various excuses, i[nclud]ing one that India was [a] "traditional" US custome[r].

The whea[t gro]wers' association argued, [how]ever, that the Indian mar[ket] offered more growth pot[ential than] the former Soviet Union[, wh]ich was consistently abl[e to] get subsidies. There is so[me Sov]iet speculation that the [US w]ants to help Canada in the [Sovi]an market.

Analysts at odds on land prices

By Barbara Durr in Chicago

THE PRICES of American farm land may be headed *substantially* upwards – or downwards – or they may stay the same in real terms, depending on which agricultural economist you are listening to.

At a recent conference sponsored by *Choices*, the publication of the American Agricultural Economics Association, some agricultural economists saw US farm land values rising as much as 35 per cent in real terms in the *1990s*. Mr Rex Wilcox of Stalcup Agricultural Service said they would outperform other types of investments in this decade. Rentals would yield 6 to 8 per cent, compared with 5 per cent on many certificates of deposit, he said.

But others are deeply sceptical. The increasingly bleak prospects for US grain exports have convinced economists such as Mr John Scott of the University of Illinois that land prices will fall during the next decade. "We're going to be locked out of Europe," he said. A recovery in agriculture in the former Soviet Union and some eastern European countries *would mean* fewer markets and more competition in exports.

Taking the middle road, Mr Philip Raup of the University of Minnesota said that land prices would keep pace with inflation during the 1990s and avoid the boom and bust cycles *that* have characterised land values over the past two decades.

Whatever the prospects for the rest of the decade, the Federal Reserve Bank of Chicago *reports that* the annual rate of increase in Midwest farm land values slowed in 1991 – continuing the decline that has been in progress since 1988. In a survey of agricultural bankers in the region *late last year* a majority believed that farm land values would remain flat in the first quarter of 1992.

Farming groups seek safety in numbers

Barbara Durr on a merger that will create the country's biggest agricultural co-operative

INCREASING competition in agriculture has just wrought the largest ever consolidation of farmer co-operatives in the US. Farmland Industries, the *Kansas* City-based co-operative that ranks 143rd on the Fortune 500 list of industrial companies, and Union Equity, *based in Enid*, Oklahoma, the biggest US grain co-operative, have agreed on a merger.

This would result in the largest agricultural co-operative in the US, surpassing Agway in DeWitt, New York. The combined assets of Farmland and Union Equity exceed $1.7bn. But even at this size, Farmland will face some significant risks in re-entering the grain trade.

The US world market share in grains has been shrinking steadily in recent years, with American maize exports at the lowest point in 15 years and wheat exports at the lowest in nine, according to grain market analyst Mr Daniel Basse, research director of AgResource in Chicago. While the US has claimed a big slice of exports to the former Soviet Union – which it has won largely through government *credits* – it has lost significant market share in other grain importing countries.

Decreasing exports have exerted *such pressure* on the US grain industry in recent years that it has suffered a shake down, with numerous companies consolidating *or* going out of business.

Union Equity, which exports more than half its members' production, has not escaped unscathed, losing some $20m since 1989. In addition, it has had difficulty in earning profits on its grain storage elevators.

While these once were used by the US government to store grain stocks, a change of policy by Washington on storage has left excess capacity in elevators. Union Equity had to close seven of its 17 terminal elevators in 1990 and attempted, but failed, to sell other elevators last year.

Some in the grain trade suggest that Union Equity needs a cash infusion and they wonder if Farmland will have the deep pockets required to keep it *afloat*.

Under the proposed deal, which is expected to be approved in June, Farmland would *purchase the assets of* Union Equity. Terms of the sale have not been disclosed. The merger does, however, have considerable potential benefits for both partners.

Farmland, a manufacturing and food marketing co-operative with 1,820 members in 19 states, makes fertiliser, feed, batteries, tyres, agricultural chemicals, animal care and petroleum products, as well as pork, bacon and sausages for consumers. Last year, it earned $50.2m on sales of $3.6bn.

Although its recent diversification efforts have largely been meat-related, Farmland wants to step back into the grain business to secure supplies for *its value-added food and feed* products. Its previous experience in the grain industry was with the acquisition in the *1970s of Far-Mar-Co*, a grain marketer with large storage facilities.

But as the economy soured in the early 1980s and losses accumulated, Farmland was forced to sell Far-Mar-Co in 1984. The buyer was Union Equity.

Union Equity, with 480 members in nine central and south-western states, is a top buyer and exporter of hard red winter wheat and grain sorghum, or milo. Union Equity moved during the last decade to broaden its commodity base, adding some maize, soyabeans and other grains.

Last year, it had sales of $1.1bn and is expected to have sales this year of $1.7bn, according to Farmland officials. Union Equity's spokesman, Mr Jim Erickson, said that the co-operative has wanted to become more involved in food processing and value-added products *using grains and that Farm*land offered that opportunity. Since 1990 it has already moved in the value-adding direction with the purchase of a part ownership in the Kansas City-based grain processing firm, Cereal Foods.

Many in American farming circles believe that they must move into more value-added products to reduce their vulnerabilities in the volatile commodities markets and to raise their profit possibilities.

The two co-operatives say that a merger will serve the interests of their memberships, which have a considerable overlap. They had in fact discussed a merger in 1990, but talks were interrupted by Farmland, which decided to embark on a restructuring of its field sales and marketing and its financial structure before pursuing the consolidation.

"The transaction is completely compatible with our two organisations' mutual strategic goal of furthering our members' interest in value-added food system marketing activities," said Mr William Allen, president of Union Equity and Mr H.D. Cleberg, president of Farmland, in a joint statement.

Broker warns of 'oil price shock'

THE WORLD is storing up an oil price shock for the mid-1990's which could see the price of a barrel shoot up by between 40 and 65 per cent, London stockbrokers Kleinwort Benson Securities said, reports Reuter.

"The longer world oil prices remain under $20 a barrel, the greater the risk of another oil price shock in the middle of this decade," Kleinwort said in a report presented at a London seminar for oil industry and financial institution officials.

"We are bound for another oil price shock and could see prices between $25 and $30 a barrel," Kleinwort analyst Mr Mehdi Varzi told delagates at the *seminar*.

Oil prices on the London futures market have barely strayed from the $18 level for *the past month*.

Today's prices are in real terms the lowest in 18 years and are providing a strong disincentive for upstream investment in exploration, Mr Varzi said.

"Current oil prices are sending the wrong message to the international oil market over the medium and long term," he added.

Pay deal ends jute mills strike

By Kunal Bose in Calcutta

THE 54 jute mills which have been strike bound since January 28 are reopenning today following the signing of an agreement on Tuesday by the Indian Jute Mills Association and 18 trade unions. The mills will need at least a fortnight to get back to normal production, according to Mr Bharat Jalan, chairman of IJMA.

The agreement providing for a basic wage increase of Rs80 (£1.95) a week and a higher cost of living allowance will raise the industry's wage bill *by about Rs450m a year. This* falls far short of what the unions had been agitating for, and the industry, said Mr *Jalan, would be able to bear* the additional wage burden provided there was a matching improvement in productivity.

The Marxist government in West Bengal, which intervened to bring about the settlement, has agreed to appoint a committee to determine the basis of productivity-linked wages in the industry. Yet another committee will be looking at the "labour complement and manning pattern" in jute mills where wages constitute as much as 40 per cent of the total cost of production.

*Mr Jalan admitted that dur*ing the 50-day strike, the overseas buyers had cancelled orders worth more than *Rs600m. Moreover, routine* orders worth about Rs500m were lost as the buyers did not know when the strike would end, he added. In the circumstances, the industry is reconciled to the fact that it will not be able to achieve the export target of 250,000 tonnes during the financial year ending March 1992. While the jute mills lost production of approximately 180,000 tonnes worth Rs2.4bn, the *synthetic* substitute products have made further inroads into the fertiliser and cement packaging market. *With the federal government* no longer keen to provide protection to the traditional jute industry, it will be difficult for *jute to regain the lost ground.*

Falkands farmers import rams to improve [w]ool

FALKLAND ISLANDS sheep farmers, who are selling their *wool at below the cost of pro*duction, are aiming to return to profit by improving the quality of their production, writes *David Blackwell.*

They are establishing a new stud flock based on 650 sheep imported from Tasmania. The islanders want to change the genetics of the Falklands' *650,000 sheep by supplying the* 90 sheep farms with rams producing finer wool.

Councillor Kevin Kilmartin, who owns *Bluff Cove farm* on East Falkland, said in London this week that Falklands wool was being sold at £2 a kilogram clean, while production costs were about £2.50 a kilogram. *At the moment the islands'* government is subsidising the sheep farmers with some of the revenue generated by the issue *of fishing licences.*

The introduction of the £260,000 stud flock is expected to reduce the diameter of Falklands wool fib[res by] 3 microns on average o[ver a] period of three years. [Mos]t of the islands' wool is [betw]een 25 and 29 microns at [prese]nt, and is sold to the clot[hing] industry. *But finer wools* [fetch] a higher price. Mr Kilmar[tin po]inted out that below 20 [micro]ns clean wool is fetching [£... a] kilogram.

WORLD COMMODITIES PRIC[ES]

MARKET REPORT

London's robusta **COFFEE** ended an afternoon of nervous trading with moderate gains but just below the day's highs as the market waited for the outcome of talks in Brazil on official policy to wards a coffee pact. "We started up this afternoon with New York looking terrible, but then suddenly near May shot ahead and London just went with it," one trader said yesterday. The upside move was attributed to unconfirmed rumours that the Brazilian private sector had decided to support a pact with economic clauses after an informal meeting in the morning. On the LME **COPPER** maintained its recent strength as Tuesday's constructive US economic data helped to hold three-month metal above $2,240 a tonne. Prices have encountered good support on dips towards $2,220 recently and the market looks set to move up to a $2,275 target. The **ALUMINIUM** market consolidated Tuesday's move above $1,300 for three-month metal. Overhead resistance is expected between $1,315 and $1,320. **NICKEL** was under pressure from talk that fresh Russian metal was en route to Rotterdam although scale-down buying limited the extent of price falls. Earlier, the market was boosted by news of strike action at Western Mining's Kambalda facilities.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.75z	
Brent Blend (dated)	$17.60-7.70	-.125
Brent Blend (May)	$17.80-7.85	-.125
W T I (1 pm est)	$19.25-9.30z	-0.15
Oil products *(NWE prompt delivery per tonne CIF)*		+ or -
Premium Gasoline	$197-199	-1
Gas Oil	$162-163	
Heavy Fuel Oil	$73-74	-1.5
Naphtha	$169-170	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$340.6	+1.2
Silver (per troy oz)♣	408.7c	+1.7
Platinum (per troy oz)	$352.25	-3.5
Palladium (per troy oz)	$84.40	+0.4
Copper (US Producer)	108.06c	+1.1
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.19r	+0.08
Tin (New York)	261.0c	-0.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	107.17p	-0.60*
Sheep (live weight)†♣	102.01p	+0.71*
Pigs (live weight)†	97.40p	-0.27*
London daily sugar (raw)	$210.9v	-2.2
London daily sugar (white)	$258.6v	-1.9
Tate and Lyle export price	£229.5	-1.5
Barley (English feed)	£121.5	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	53.50p	
Rubber (May)♥	53.75p	
Rubber (KL RSS No 1 Mar)	212.0m	
Coconut oil (Philippines)§	$645.0v	-12.5
Palm Oil (Malaysian)§	$400w	
Copra (Philippines)§	$430.0w	
Soyabeans (US)	£156.0q	-2
Cotton "A" index	54.70c	-0.15
Wooltops (64s Super)	469p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jun/Jly u-Jan/Mar v-Apr/May y-Feb/Mar w-Apr z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	186.20	184.20	187.00 184.00
Aug	188.40	186.40	188.00 187.60
Oct	190.80	189.60	189.20
White	**Close**	**Previous**	**High/Low**
May	268.0	266.3	266.0 265.1
Aug	269.7	268.3	269.0 257.0
Oct	261.6	260.0	260.4 260.0
Mar	265.0	263.0	262.7 262.5
May	267.7		267.2
Aug	273.7		272.0

Turnover: Raw 147 (222) lots of 50 tonnes. White 1370 (752)
Paris- White (FFr per tonne): May 1505.16 Aug 1533.81

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
May	17.88	17.86	17.90 17.76
Jun	17.92	17.95	17.96 17.83
Jul	17.82	17.91	17.90 17.82
Aug	17.80	17.95	17.88 17.80
Sep	17.82	17.98	17.86 17.80
Oct	17.86	18.00	17.91 17.86
IPE index	17.86	17.82	

Turnover 8000 (14614)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Apr	160.75	161.50	162.00 160.25
May	162.25	163.75	163.75 162.25
Jun	163.50	165.75	165.50 163.25
Jul	165.25	167.50	166.75 165.25
Aug	167.25	169.50	169.00 166.75
Sep	169.25	171.00	170.25 169.50
Oct	172.00	172.75	172.00 171.50
Nov	173.50	174.50	174.00 173.75

Turnover 7487 (8338) lots of 100 tonnes

WOOL
Australian wool prices have continued to show an easier tendency this week. Declines have been sharpest among finer Merinos, but throughout the range of categories there have been varied and erratic changes from day to day. Much depends on the quality of the offering, and overall there is a tendency for this to fall off towards the end of the selling season, especially when drought has been a factor in many areas. The AWC market indicator declined to 610c on March 18, against 638 a week before. The market setback is being accepted without undue concern, since it follows a good rise in February.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	649	662	648 647
May	670	673	671 667
Jul	699	702	700 695
Sep	725	728	735 721
Dec	758	761	758 756
Mar	791	792	790 789
May	812		811
Jul	830		830
Sep	851	851	850

Turnover: 2440 (2801) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar.17 833.16 (828.89) 10 day average for Mar.16 827.07 (830.62)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Mar	855	831	835 828
May	859	845	864 838
Jul	879	866	882 860
Sep	897	890	[illegible]
Nov	918	905	929 905
Jan	939	927	926 925

Turnover: 3286 (2042) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar.17: Comp. daily 57.12 (57.01) 15 day average 55.78 (55.53)
Sterling close: March 2466

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	113.8	114.0	114.0 113.4
May	132.5	133.2	133.2 132.0
Apr	128.5	127.2	128.3 127.5

Turnover 84 (91) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	128.50		129.50 129.00
Jun	125.00	124.50	125.00 124.50
Aug	127.00	126.50	127.00
Oct	130.00	129.20	130.00

Turnover 285 (625) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Mar	1245	[illegible]	[illegible]
Apr	1325	1290	1326 1292
May	1300	1272	1300 1285
Jul		1130	1150 1135
BFI	[illegible]	1215	

Turnover 155 (222)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	125.25		125.35
May	127.70	128.05	128.00 127.70
Jun	129.45	129.85	129.75 129.50
Sep	113.35	113.50	113.75 113.50
Nov	116.60	116.90	117.00 116.55
Jan	120.30	120.65	120.75 120.30
Mar	123.50		123.90 123.75
Barley	**Close**	**Previous**	**High/Low**
Mar	115.50		

Turnover: Wheat 167 (216). Barley 0 (78).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Mar	122.5	123.0	122.2 122.1
Jan	116.5	117.0	116.8 116.3
Jul	112.0		111.5
Aug	109.0	109.0	109.0
Sep	110.0	110.5	110.0 109.5
Oct	110.5	111.0	110.5 110.0
Nov	110.5		111.0 110.5

Turnover 47 (74) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 40,107 lots	
Cash	1284-5	1287.5-8.5		[illegible]		
3 months	1310-1	1294-5	1316/1304	[illegible]	1313-4	181,778 lots
Copper, Grade A (£ per tonne)					Total daily turnover 25,104 lots	
Cash	1287.5-8.5	1275-6	1288/1288	[illegible]		
3 months	1315.5-6	1304-5	1321/1311	[illegible]	1315-6	107,404 lots
Lead (£ per tonne)					Total daily turnover 2,477 lots	
Cash	304-5	301-2	304.5	[illegible]		
3 months	315.5-6	312.5-3.5	319/315	[illegible]	318-9	15,489 lots
Nickel ($ per tonne)					Total daily turnover 4,281 lots	
Cash	7380-90	7405-10	7378/7370	[illegible]		
3 months	7470-5	7485-90	7530/7460	[illegible]	7465-70	23,091 lots
Tin ($ per tonne)					Total daily turnover 1,704 lots	
Cash	5595-605	5630-40	5603/5600	[illegible]		
3 months	5635-40	5665-70	5660/5635	[illegible]	5636-8	5,597 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 16,292 lots	
Cash	1229.5-30.5	1225.5-6.5		[illegible]		
3 months	1237-8	1234-5	1246/1235	[illegible]	1236-4	60,326 lots

LME Closing £/$ rate:
SPOT: 1.7325 3 months: 1.7049 6 mo[nths: 1].6820 9 months: 1.6616

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	340.40-340.80	
Opening	340.00-340.40	
Morning fix	340.00	196.508
Afternoon fix	340.30	196.933
Day's high	341.20-341.50	
Day's low	339.70-340.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.57	6 months	3.60
2 months	3.58	12 months	3.63
3 months	3.59		

Silver fix	p/fine oz	US cts equiv
Spot	235.15	407.15
3 months	241.45	411.45
6 months	247.90	416.45
12 months	260.35	427.70

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	340.50-341.50	197.00-197.50
Maple leaf	351.00-352.00	203.00-203.50
New Sovereign	83.00-84.60	48.00-48.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1250	69½	82	17	22
1350	20	31	67	70
1450	4	8½	149	146
Copper (Grade A)	**Calls**		**Puts**	
2150	97	104	5	11
2250	29	40	36	46
2350	4	10	110	115
Coffee	**May**	**Jul**	**May**	**Jul**
800	62	90	3	12
850	25	57	16	29
900	7	32	49	54
Cocoa	**May**	**Jul**	**May**	**Jul**
650	30	61	10	12
675	16	45	21	21
700	6	31	36	32
Brent Crude	**May**	**Jun**	**May**	**Jun**
1750	55		21	39
1800	26	50		
1850	10			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	[illegible]	340.1	0	0
Apr	[illegible]	340.6	341.7	338.7
May	[illegible]	341.7	0	0
Jun	[illegible]	342.9	343.8	341.0
Aug	[illegible]	345.2	345.9	343.8
Oct	[illegible]	347.5	348.0	347.2
Dec	[illegible]	350.2	351.0	348.5
Feb	[illegible]	352.5	0	0
Apr	[illegible]	355.5	355.9	355.9

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	350.0	[illegible]	0	0
Apr	346.5	[illegible]	353.9	348.5
Jul	345.4	[illegible]	352.5	345.5
Oct	348.4	[illegible]	354.0	348.0
Jan	348.4	[illegible]	354.0	349.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	403.0	[illegible]	405.0	403.5
Apr	403.8	[illegible]	0	0
May	405.2	[illegible]	409.0	405.0
Jul	408.5	[illegible]	412.0	408.0
Sep	412.4	[illegible]	415.0	413.0
Dec	418.4	[illegible]	421.0	418.0
Jan	420.2	[illegible]	0	0
Mar	424.8	[illegible]	426.0	426.0
May	429.8	[illegible]	431.5	430.5
Jul	434.4	[illegible]	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	102.15	[illegible]	102.60	102.00
Apr	102.05	[illegible]	102.50	102.25
May	101.95	[illegible]	102.05	101.75
Jun	101.75	[illegible]	0	0
Jul	101.55	[illegible]	102.00	101.40
Aug	101.25	[illegible]	101.60	101.50
Sep	101.15	[illegible]	101.60	101.30
Oct	101.00	[illegible]	101.30	101.30
Nov	100.90	[illegible]	0	0
Dec	100.80	[illegible]	101.15	101.00

SUGAR WORLD "11" [112,]000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.41	8.33	8.45	8.31
Jul	8.48	8.41	8.50	8.38
Oct	8.54	8.48	8.57	8.46
Mar	8.68	8.64	8.70	8.64
May	8.71	8.69	8.69	8.69
Jul	8.76	8.75	8.70	8.78

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	19.15	19.24	19.25	19.07
May	19.27	19.35	19.33	19.17
Jun	19.34	19.41	19.36	19.25
Jul	19.36	19.41	19.37	19.27
Aug	19.27	19.35	19.31	19.24
Sep	19.24	19.30	19.26	19.21
Oct	19.22	19.26	19.22	19.16
Nov	19.20	19.23	19.28	19.13
Dec	19.16	19.21	19.20	19.11
Jan	19.06	19.16	19.10	19.06

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5330	5413	5390	5300
May	5265	5343	5310	5260
Jun	5255	5301	5275	5230
Jul	5275	5314	5300	5260
Aug	5330	5374	5365	5330
Sep	5460	5494	5470	5450
Oct	5580	5596	5570	5565
Nov	5660	5694	5660	5660
Dec	5750	5769	5760	5750
Jan	5780	5810	5800	5780

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1051	1057	1057	1045
Jul	1088	1094	1094	1085
Sep	1123	1130	1127	1125
Dec	1168	1174	1169	1166
Mar	1209	1214	0	0
May	1235	1239	0	0
Jul	1262	1271	0	0
Sep	1295	1297	0	0
Dec	1330	1332	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	73.85	72.25	73.85	71.80
May	73.70	72.85	74.30	71.80
Jul	75.65	74.75	76.00	73.80
Sep	77.85	77.20	78.25	76.40
Dec	81.20	80.60	81.20	79.80
Mar	85.00	84.25	84.40	83.75
May	87.75	89.25	0	0
Jul	90.00	90.85	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	55.85	54.94	55.90	54.56
Jul	57.54	56.54	57.60	56.15
Oct	59.65	59.00	59.70	58.70
Dec	60.15	59.60	60.20	59.30
Mar	61.50	61.10	61.20	61.00
May	62.00	61.65	61.70	61.30
Jul	62.45	62.20	62.35	62.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	143.35	145.00	146.50	145.00
May	142.95	145.65	146.30	142.80
Jul	140.50	143.10	144.00	140.25
Sep	132.00	134.65	135.00	132.00
Nov	123.50	126.20	126.00	123.50
Jan	122.85	126.00	124.75	123.20
Mar	122.35	124.75	122.50	122.50
May	122.35	124.75	0	0
Jul	122.35	124.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar.18	Mar. 17	mnth ago	yr ago
1615.3	1620.3	1590.5	1722.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar.17	Mar.16	mnth ago	yr ago
Spot	117.10	117.70	119.04	124.57
Futures	122.06	122.40	121.64	128.54

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	591/0	588/6	592/6	586/0
May	596/6	595/2	600/0	595/0
Jul	605/2	604/4	608/4	604/2
Aug	610/4	608/0	613/4	608/6
Sep	613/2	610/4	616/4	611/4
Nov	620/4	618/6	624/4	618/0
Jan	628/4	626/6	633/0	627/0
Mar	637/0	634/0	641/0	635/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.27	20.34	20.50	20.16
May	20.44	20.56	20.73	20.35
Jul	20.76	20.87	21.03	20.65
Aug	20.92	21.03	21.16	20.80
Sep	21.00	21.14	21.26	20.95
Oct	21.10	21.28	21.42	21.10
Dec	21.43	21.52	21.72	21.43
Jan	21.46	21.62	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	176.5	175.1	177.0	175.3
May	178.8	177.2	179.5	177.8
Jul	182.0	179.8	182.6	180.5
Aug	183.0	180.9	184.0	181.5
Sep	184.4	182.3	184.7	182.8
Oct	198.7	196.3	199.0	197.2
Dec	200.2	198.1	201.0	198.5
Jan	200.5	198.5	200.5	200.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	264/6	263/2	265/0	264/0
May	271/4	270/0	272/2	270/4
Jul	276/2	275/4	277/4	275/4
Sep	269/6	269/6	271/2	269/4
Dec	265/4	265/6	267/4	265/0
Mar	272/2	272/6	274/2	272/0
May	276/0	276/4	277/0	276/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	391/0	395/0	399/0	389/6
May	386/4	387/2	393/4	385/4
Jul	372/4	371/4	376/4	370/4
Sep	376/0	374/4	380/0	375/0
Dec	385/4	384/0	388/0	384/0
Mar	388/2	386/4	390/4	388/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.500	78.025	78.350	77.400
Jun	73.150	73.550	73.975	73.100
Aug	69.575	69.825	70.150	69.450
Oct	69.325	69.350	69.775	69.275
Dec	69.525	69.475	69.800	69.400
Feb	69.000	68.850	69.325	69.000
Apr	69.875	69.850	70.075	69.860

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.925	40.625	41.375	40.600
Jun	46.300	46.100	46.750	46.175
Jul	46.150	45.750	46.400	45.925
Aug	44.450	44.175	44.600	44.300
Oct	41.675	41.525	41.800	41.550
Dec	44.875	44.775	45.150	44.800
Feb	45.800	45.825	45.925	45.750
Apr	43.200	43.200	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	36.300	35.700	36.725	35.800
May	37.100	36.550	37.750	36.700
Jul	37.625	37.250	38.250	37.475
Aug	36.200	35.400	36.825	35.050
Feb	48.800	47.800	48.900	48.800
Mar	48.000	46.800	48.000	48.000
May	50.000	50.000	0	0

FINANCIAL FUTURES AND OPTIONS

Thursday March 19 1992

Derivatives are likely to remain among the fastest growing and most profitable financial markets, says **Tracy Corrigan**, as an increasing number of exchanges compete for business, and more banks develop derivatives units

Europe takes a bigger share

WHILE BANKS have been shrinking their loan books and cutting back their trading operations in recent years, the vogue for futures and options business has gathered pace.

The market in futures and options and other so-called derivative products is at the forefront of technological development in the financial markets, and banks are keen to operate in those areas where higher margins can be charged.

However, innovative instruments are often quickly subsumed into the mainstream. Many products which once earned rich commissions for traders are now widely understood and commonly available, and trade just like bond markets. Indeed, some markets have become so liquid that they tend to drive trading in the underlying cash market, rather than the other way around – for example, the Bund future on the London International Financial Futures Exchange (Liffe).

But at the other end of the scale, the market in specially-tailored products, designed to suit the specific needs of a corporate treasurer or a fund manager, is also growing. As soon as a financing technique invented by a particular firm is no longer proprietary, derivative specialists start looking for new twists. Banks no longer offer just straightforward options, but a seemingly endless variety of products, such as caps and range-forwards, which slightly alter the degree of exposure to different market movements.

The technology used in the derivatives market is often applied throughout a range of underlying products. Swap technology, allowing counterparties to exchange interest-rate and currency flows, is now being applied to the equity and commodity markets.

Futures contracts, once limited to interest-rate products, are being developed on clean air and insurance at the Chicago Board of Trade, the largest US exchange.

The application of some techniques is limited only by investor-demand, which has not responded to some of the more outlandish products on offer.

The development of futures markets has also been fuelled by the liberalisation of bond and equity markets in Europe and the Far East, which has opened up new markets for investors and new sources of funds for companies. The emphasis on US markets has shifted as investors focus more keenly on European markets, boosting the market share of futures exchanges outside the US last year to 47 per cent.

Absolute volume continues to grow, however. January was a record month for exchanges and products in both Europe and the US. As well as a steady flow of new products – and new exchanges – in Europe, other financial markets, such as Latin America, are also set to join the fray.

The shape that futures markets will take is still hard to predict. Talk of links between exchanges, common a few years ago, has faded, although there are signs that cross-listing of products may become more common.

Equally, the automation of exchange-traded business has lagged expectations. The Globex trading system – developed by the Chicago Mercantile Exchange (CME), the CBOT and Reuters – is still being tested, after repeated delays to its start-up schedule.

Although some efforts at screen-based trading have been successful, such as the Deutsche Terminbörse in Germany, the world's most actively traded contracts still use the traditional open-outcry system.

The expansion of futures and options markets is expected to be fuelled by growing use of derivatives by investment managers. The managed futures fund industry in the US has grown dramatically in the last few years, and now has about $20bn under management. There is also increasing interest in managed futures in Japan.

In most parts of Europe, fund managers are less familiar with the attractions of using futures and options than with the potential risks. In the UK, the Securities and Investment Board last year opened the door for unit trusts, offered to retail investors, to use futures, with certain limitations. However, they have shown some resistance to the concept. Of the two funds launched so far, only one was aimed at small retail investors.

But interest among European pension and insurance fund managers is gradually growing, particularly in the use of futures to shift exposure from one market to another, generally a more efficient method of asset allocation than buying and selling in the cash market.

The level of sophistication among European corporate treasurers has generally been quite high (with a few notable exceptions, such as Allied-Lyons which last year lost £150m through its use of currency options).

The [illegible] of derivative products h[illegible] come almost a prerequi[site f]or larger international [com]panies, because it is no lo[nger] acceptable for companies [to] blame poor performan[ce on] movements in the forei[gn ex]change markets.

T[he der]ivative markets, both on t[he ex]change-traded and the ove[r-the]-counter sides of the bus[iness], continue to attract an [inc]reasing number of ba[nks]. Indeed, some non-bank pl[ayers] have also entered the m[arket], benefiting from the d[ecline] of credit quality among [the] banks which, particu[larly i]n the swap market, can h[ave] a negative impact on [busin]ess. For example, AIG [Finan]cial Products, a subsid[iary] of the large insurance [com]pany, American International Group, has built up a [succ]essful swap business.

[So]me banks have tackled the [issu]e of credit quality. Last [yea]r, Merrill Lynch set up a [spe]cially-structured unit with a [str]ong capital base, called Merr[il]l Lynch Derivate Products, which gained a triple-A rating.

Although other banks have considered that structure, many have fought shy in the belief that the return on capital would be insufficient.

The decline in bank credits quality has left only a handful of triple-A-rated banks. Consequently, the hurdle has dropped to double-A – that is, banks only start to lose business when their rating falls below double-A.

Credit concerns do not appear to have driven clients away from the OTC market to the futures markets, where credit risk is assumed by the exchange.

Meanwhile, banks and broking firms are approaching the derivatives business from many different angles, depending on their own strengths and on their view of the market's future development.

Some firms, such as GNI, have concentrated on developing their expertise in exchange-traded business. Others have developed specialist product units, where highly complex instruments are tailored to suit clients' needs. One example is Credit Suisse Financial Products, set up two years ago, which has developed a highly-successful client-driven business.

Few firms can claim to offer a fully-comprehensive range of products across the three main areas of interests rates, foreign exchange and equity, and across both exchange-traded and OTC markets. Only a few banks, mainly US investment banks, claim to offer such a spectrum. Swiss Bank Corporation, which early this year took over O'Connor, the Chicago-based options trading firm, is now well positioned to offer strength across the board.

Other banks, however, have grown their derivatives business on a more *ad hoc* basis, according to the relevant underlying market, so that, for example, equity derivative traders are part of an equities group.

No particular formula has proved the key to success. However, the most profitable derivatives businesses have generally been the most innovative. Bankers Trust, which has been at the forefront of origination of equity derivatives, is generally cited as the classic example of a highly profitable, highly specialised derivatives house.

The large number of new entrants to the market, including some Japanese firms, is generally welcomed, because new players are seen as providers of liquidity. However, as the market becomes more competitive – and the complexity of hedging risk assumed in the course of OTC business increases – some participants could lose out.

But, while banks may be in for some disappointment, their staff are generally benefiting, particularly in expanding sectors such as equity derivatives. According to a recent survey on futures and options salaries by Jonathan Wren, the recruitment consultancy, the development of the equity derivatives market in 1991 brought "an enormous upswing in salaries."

London exchanges merge

TWO LONDON exchanges will officially merge on Monday, though they have been operating under the same roof since January.

The merger – between the London International Financial Futures Exchange and the London Trade Options Market – is an attempt to revive the UK stock options market

☐ Far left: close of business on the LTOM's last day of trading in the Stock Exchange building
Picture: Ashley Ashwood

☐ Left: Mr Robin Leigh-Pemberton, governor of the Bank of England, opens Liffe's new trading floor, at Cannon Bridge.
Picture: Trevor Humphries

■ See: European Exchanges, on Page 2 of this survey

ALSO

■ **The US:** as once-pre-eminent exchanges fight to retain market share, new ideas may break new ground .... Page 2

■ **Japan:** the derivatives market has been blamed for the current weakness of share prices. The outcome of a review is awaited ....Page 3

■ **The OTC market:** bankers see no significant slow-down in the rate of growth or innovation in the futures and options markets, and point to three main areas of growth ..... Page 3

■ **UK investment management:** increasing diversification is encouraging fund managers to look again at the benefits of derivative products, but their conversion will not happen quickly ....Page 4

■ **US futures funds:** even pension funds – the most cautious and finicky of investors – are now putting money into them. But the limits on American exchanges and the need to diversify have driven much managed-fund trading offshore ....Page 4

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Tracy Corrigan examines the growing competition in Europe

Small markets stock up

FUTURES business, once dominated by the large US exchanges, is shifting to Europe, reflecting the increasing level of trading in European securities.

But the success of Europe's exchanges is also fostering a more competitive environment, as new exchanges and competing products spring up. While the larger exchanges struggle for dominance of major European markets, smaller ones may find a niche in trading products based on domestic instruments, or by forging links with the larger exchanges.

Three European exchanges are battling for business: the London International Financial Futures Exchange (Liffe); the Marché à Terme International de France (Matif), in Paris; and the Deutsche Terminbörse (DTB), in Frankfurt.

Liffe's most successful contract, the Bund future, has come under threat from a rival contract on the DTB, backed by the German banks. Although the volume of Bund futures traded on Liffe has not fallen, activity in the DTB contract has increased substantially, due to a combination of slashed commissions, a new marketmaking system and daily targets. The DTB's market share in the Bund contract increased from 8 per cent in January 1991 to 29 per cent in January 1992.

The DTB plans further expansion, which could threaten Liffe's strong position in German interest-rate products. As well as an option on the German BOBL (three-and-a-half to five-year bond) future, the exchange is working on a three-month Euromark interest rate future. The contract, which has not yet been approved by the board, would be the exchange's first short-term interest rate contract.

The exchange's plans to expand overseas – currently stymied by regulatory problems – indicate that it will not limit its sights to domestic business. The exchange is also discussing the creation of futures and options contracts on a pan-European stock index (two attempts so far have flopped: Liffe's Eurotrack and the European Options Exchange's Eurotop contracts).

Meanwhile, Liffe has lost a battle, if not the war, over Ecu-bond futures trading. A rival contract on the Matif, launched six months earlier, traded 110,000 contracts in January, compared with a mere 4,000 Ecu bond contracts traded on Liffe, despite the launch of a new marketmaking system.

Roger Barton, managing director in charge of business development at Liffe, admits that it will be "a long hard slog" to win back Ecu business. But he points out that the marketmaking system is providing two-way prices at a tight spread.

The fact remains that the contract is barely traded, and many dealers use alternative instruments for hedging: either cash bonds, such as the UK 10-year Ecu bond, or a proxy such as the Bund future.

While the failure of the Ecu contract has proved a setback, the success of Liffe's Italian bond future contract, launched last September, has exceeded all expectations. The contract fends off competition from a rival contract on the Matif, also launched in September. In January, only one contract was traded on the Matif, compared with 142,000 on Liffe.

However, a further challenge is on the way from the Italian authorities. In June, they plan to launch a screen-based bond futures trading system, which will be added on to their existing cash market trading system. There is still some scepticism about the Italians' ability to meet that deadline, although development of the clearing and trading systems is now under way.

Meanwhile, smaller European markets are also developing their own exchanges, which will soon be stocked with derivatives on a range of domestic instruments. In Vienna, the Osterreichische Termin und Optionenbörse (Otob), which opened for business last year, has made a strong start.

Currently the exchange trades only six individual stock options on Austrian shares, but an option on the Austrian Traded Index, made up of 18 shares traded on the Vienna stock exchange, will be launched in May or June, and a synthetic government bond future is planned for later this year.

The Belgian Futures and Options Exchange (Belfox) made a rather disappointing debut at the end of last year, with a Belgian government bond future contract. But options on six Belgian stocks and futures and options on its BEL-20 Belgian Stock Index are planned for later this year.

Spain's two exchanges are now trading under one holding company, Mercado de Futuros Financieros (Meff), but are still based in both Madrid (equity products) and Barcelona (interest rate products). Meff in Madrid recently started trading futures and options contracts on a new index of Spanish stocks, the Ibex 35, and plans to launch individual stock option contracts later this year.

As the exchanges in London, Frankfurt and Paris compete for business, Liffe has lost a battle, if not the war, over Ecubond futures trading. A rival contract on the Matif, launched six months earlier, traded 110,000 contracts in January, compared with a mere 4,000 Ecu bond contracts traded on Liffe, despite the launch of a new marketmaking system

Meanwhile, the Swedish exchange, OM, with operations in Stockholm and London, is in discussions with other exchanges such as the European Options Exchange (EOE) about cross-listing of products (including its Swedish stock options and stock index products).

Such linkage may be a way forward for other smaller exchanges seeking to expand.

In the UK, the merger of Liffe and the London Trade Options Market (LTOM) officially takes place next Monday, but the two exchanges have in fact been operating under the same roof since January.

The merger is an attempt to revive the UK stock options market, which had been languishing under the wing of the stock exchange. The prospects for one key product, options on the FT-SE 100 index, are excellent. The FT-SE options pit has already benefited from its proximity to the futures pit in the new exchange, and from a surge of interest created by the merger. After the merger, in addition to economies of scale, traders will be able to match their futures and options positions.

But Liffe's Mr Barton admits that the "significant growth" expected in FT-SE option volume is unlikely to be matched in individual stock option trading. "We are looking for steady growth over the next six to 12 months," he said.

However, the signs are not encouraging. Liffe raised a bare minimum of marketmakers in individual stock options, and most houses say they will be concentrating their efforts on index products, which are used increasingly by fund managers for asset allocation and hedging purposes.

The row over the future of stock options trading, which delayed the merger, could erupt again. The large UK banks, active in stock trading in the cash market, favoured a shift to screen-based trading, while smaller firms held out for the continuation of pit trading.

Although Liffe resisted pressure from the larger houses to move to a screen-based system, an automated system is being developed for possible use later.

"We took the view that the merged market should make that decision," said Mr Barton. "The board of the merged market will decide if and when to move to an automated system."

However, the system will not be ready for another year, so the market will, in theory, have some time to find its feet, unless members push for an early decision on the issue. Some optimists still believe that Liffe's marketing flair, combined with growing interest in derivative products among fund managers, may produce a sufficient surge in volume to save the stock options market in its present form.

Ba[illegible]ara Durr sees US exchanges' share of world trading shrink

N[illegible]w products to hold the line

US COM[illegible]TIES exchanges, once pre[illegible]nt in the world futures [illegible]y, are fighting to stem [illegible] of their world market s[illegible]s futures trading has sp[illegible]lobally and foreign exc[illegible]s have blossomed, [illegible]can markets have seen [illegible]lice of trading shrink.

Last year [illegible]xchanges captured just [illegible] per cent of world tradi[illegible]wn from 53.9 per cent in [illegible] according to figures from [illegible]utures Industry Associati[illegible] decade ago, American ex[illegible]es cornered virtually all t[illegible].

"We had 10[illegible] cent of the volume. That [illegible]'t leave a lot of room to [illegible]," said Les Moucher, chie[illegible]e Chicago Board of Trade[illegible] products committee an[illegible]ond vice-chairman of the[illegible]ange.

US exchanges[illegible]heir slide was to be expect[illegible]the inevitable result of [illegible]rowth of futures – a pro[illegible]at they themselves encou[illegible].

But they are t[illegible]to hold the line against [illegible]greater loss with a flock [illegible]w and innovative produ[illegible]nd the introduction of of[illegible] electronic trading.

At the Chicago [illegible]rd of Trade (CBOT), the [illegible] and largest US exchan[illegible]wo of the industry's most [illegible] new products are in t[illegible]ing: insurance and [illegible]tion futures.

Although scepticis[illegible] out insurance futures ha[illegible]ged their development an[illegible]egulatory hurdles ha[illegible]en many, the exchange [illegible] it will launch property a[illegible]ualty (better known as [illegible]owners') insurance futu[illegible]d health insurance futur[illegible] year.

Pollution futures, or air futures as the CBOT [illegible] to call them, will be bas[illegible] the pollution permits issu[illegible] the US government und[illegible] provision of the 1990 Clea[illegible] Act. Industries can trad[illegible] these permits in order to a[illegible] how they comply with [illegible] law's new standards. [illegible] futures are likely to [illegible] launched in early 1993, w[illegible] the first auction of perm[illegible] takes place.

These two ideas may bre[illegible] new ground for the futur[illegible] industry, but their success [illegible] by no means assured. Roughly only one in four futures contracts succeeds and, unfortunately for the CBOT, it has had its share of flops lately.

The most significant of these failures are the three-year and five-year swap futures, launched with a fanfare last year. This was the first straightforward attempt by an exchange to attract off-exchange business in products similar to futures. The increase in off-exchange derivatives trading is cited, along with foreign competition, as a barrier to more trading on US exchanges.

But CBOT officials say that swap dealers are boycotting the contracts because they perceive them as directly competitive. The exchange argues they are not substitutes for swaps, and faults itself for not having marketed the contracts better.

The Chicago Mercantile Exchange (CME), where volume rose by 5 per cent last year, has in contrast been on a roll. It has already launched two interesting new products this year: futures and futures-options on the Standard & Poor's MidCap Index, and non-dollar settled Deutsche Mark/yen cross-rate futures and futures-options.

It also is planning to expand its equity index offerings with contracts on the FT-SE 100, Eurotrack 100 and Eurotrack 200, and the Russell 2000 index of small capitalisation shares. It is looking, too, at contracts in Euroyen and EuroDeutsche Marks. While it is not breaking entirely fresh ground, it is having greater success building on its product bases in equities, short-term interest rates and currencies.

If there is a cloud over the CME, it is Globex, the after-hours electronic trading system. Conceived by the CME, Globex is being developed with Reuters and the CBOT.

Once heralded as the key to internationalisation of the futures markets, Globex has suffered three years of delays and is beginning to look more like an adjunct to that process – and perhaps not even the most technologically advanced one. Recent trials are said to have gone well, but start-up plans are still uncertain.

The New York Mercantile Exchange (Nymex) may indeed beat Globex with its Access system, using technology from AT&T. Given the global and round-the-clock nature of the oil business, Nymex's Access may stand a better chance of success in drawing in new international business than Globex will for Chicago.

Nymex has also recently begun trading with modest success a sour crude contract, of special interest to far eastern traders.

While 1991 was a bad year for US futures markets – overall trading volume dipped for the first time since 1968 – American options exchanges fared no better. In the two largest markets, the Chicago Board Options Exchange (CBOE) and the American Stock Exchange (Amex), volume dipped 6 per cent and 4.7 per cent respectively.

The good news for the US futures and options markets is that 1992 is off to a flying start, with volume increases all round. This comes as an especially welcome development for options exchanges which have seen slippage since 1987.

The CBOE has churned up substantial interest in its long-term options (LEAPs), both for the S&P100 and 500 indices and for individual stock options. It also has FT-SE products coming up, is close to agreement on the Russell 2000 index, and is discussing the possibility of a Mexican market index.

At present, some 15 per cent of CBOE's trading volume is from foreign investors, and it hopes that more foreign-based contracts, while largely for domestic consumption, could increase that business.

The Amex has led US options exchanges in listing foreign equity derivatives, such as warrants on the Nikkei stock index, the FT-SE and France's CAC-40.

It has also just launched the first US warrant on the British pound. The new derivatives have given the Amex some trading dynamism, but it hopes that the fresh interest in traditional options shown by investors since last October will continue.

Both the CBOE and the Amex saw investors return to options after they had begun listing multiply-traded (that is, traded in two or more markets) options at the end of last October.

They are also benefiting from the surge of money into equities since a drop in interest rates lessened the appeal of fixed income instruments. Each of the exchanges is also working on a bio-tech index.

Futures and options volume: the top 10 exchanges (contracts traded)

	1990	1991	% change
Chicago Board of Trade	154,227,516	139,437,298	(9.58)
Chicago Mercantile Exchange	102,988,293	108,128,616	4.99
New York Mercantile Exchange	42,458,651	40,786,714	(3.94)
London International Financial Futures Exchange	34,169,529	38,583,877	12.92
Matif (Paris)	28,056,573	37,129,032	32.34
Osaka Ssecurities Exchange	22,776,790	33,478,949	46.99
BM&F (Brazil)	9,875,196	19,027,057	92.68
London Metal Exchange	13,352,954	16,937,909	26.85
Tokyo Stock Exchange	21,623,268	16,601,899	(23.22)
Tokyo International Financial Futures Exchange	14,450,989	15,152,964	4.86

Source: Futures Industry Association

Performance of asset classes: annual return (%)*

Year	US stocks[1]	Bonds[2]	International stocks[3]	Managed futures[4]
1980	32.13	3.06	22.55	78.35
1981	-4.91	7.26	-2.27	11.08
1982	21.11	31.10	-1.85	10.40
1983	22.37	7.99	23.69	0.43
1984	6.11	15.02	7.39	21.22
1985	32.03	21.30	56.17	20.33
1986	18.55	15.62	69.45	-0.51
1987	5.23	2.29	24.64	60.97
1988	16.82	7.59	28.26	11.75
1989	31.52	14.23	10.55	4.79
1990	-3.18	8.29	-23.13	16.35
1991	30.57	16.13	12.13	11.3
Average	17.36	12.49	18.94	20.53

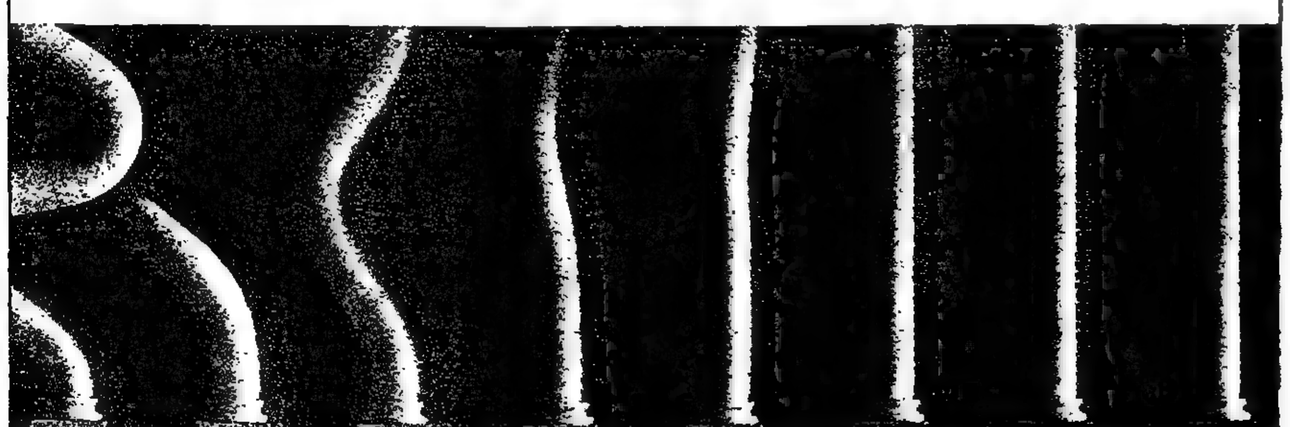
[1]US stocks: S&P 500 index (dividends reinvested); [2]Bonds: Shearson Lehman Government/Corporate Bonds Index (over one year with coupons reinvested); [3]International stocks: Morgan Stanley Europe, Australia and Far East (EAFE) index; [4]Managed futures: MAR Dollar-weighted CTA index; *Based on monthly data on an annualised basis.

Source: Managed Futures Association

Ashley Ashwood

At the C[illegible] clean-air futures are among the new products

THE ECONOMY MAY SOMETIMES BE UNCERTAIN,



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A cloud hangs over derivatives in Japan, reports **Emiko Terazono**

Fears of new restrictions

INVESTORS IN Japan's stock futures are awaiting the outcome of the authorities' review of the effects of derivatives trading on the underlying cash stock market.

The Tokyo and Osaka stock exchanges have blamed the derivatives market for the current weakness of Japanese share prices. Moves to tighten restrictions in the futures and options markets have prompted criticism from many participants, who see a threat to these markets' further growth.

The Nikkei 225 futures contract, which was listed on the Osaka Securities Exchange (OSE), has become one of the largest stock futures markets in the world. Last year, turnover in the Nikkei 225 futures trading was 35 per cent up on the previous year, at Y536,729.9bn ($4,142bn).

In contrast, trading in the underlying cash market, listed on the Tokyo Stock Exchange (TSE), has been hurt by deteriorating investor confidence. Last year, activity on the first section of the TSE fell 39 per cent to a nine-year low of Y107,108bn.

The Nikkei index, which reached a high of 38,915.87 in late 1989, has plunged over 45 per cent as higher interest rates have squeezed speculation out of the market. Last year's stock market scandals, involving Japanese brokers who had favoured larger corporate clients by compensating them for trading losses, have also shaken individuals, and the cash market is in its third year of weakness.

Price fluctuations in the futures markets are reflected in the cash market through arbitrage, profiting from the price differences between cash and futures markets. Stock exchange officials blame the abnormal surge in derivatives trading and speculative price movements on the futures markets for intimidating individual investors.

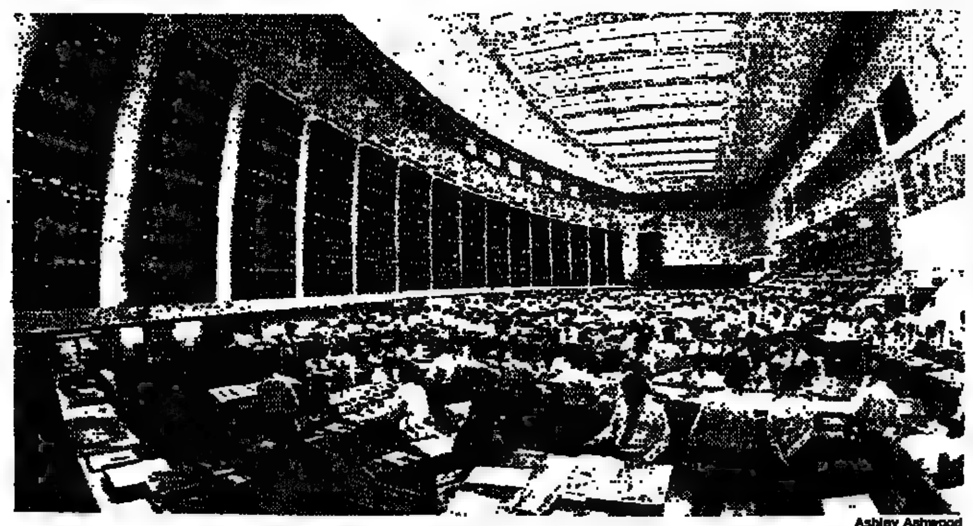
"We have no proof that trading on the futures market has adverse effects on the cash market, but if additional restrictions are going to alleviate the fears of the individual investor, the futures market has to be sacrificed," says Mr Takao Tsutsumi, executive governor of the OSE.

The TSE increased margin rates for arbitrage trading three times last year, to curb activity. Last month, the OSE implemented emergency measures to enhance the transparency of the futures and options market by disclosing trading of futures and options by brokers. The OSE also shortened the trading hours of the futures market; and the exercise of option contracts, also blamed for creating volatility, will be moved from the current once a week to once a month with the June contract.

Frustration over derivatives trading has been heightened by the deteriorating earnings of Japanese brokers against large increases in profits at foreign houses, which booked profits due to their expertise in derivatives trading.

Smaller Japanese brokers have also pointed to larger brokers, who have increased their presence in the futures and options markets. "The concept of profiting from dealing rather than from broking is still seen as a sin," points out one analyst.

The popularity of the OSE's Nikkei futures has also led to tensions between the two exchanges. Trading in the Nikkei 225 futures index accounted for 56.2 per cent of trading revenue earned by the OSE, while futures trading in Tokyo on the TSE's Topix index only accounted for 2.6 per cent of its trading income. Thanks to futures trading, the OSE managed to make a profit for the interim period to last September, while the TSE, hurt by the sharp fall in trading volume, fell into the red.


Ashley Ashwood

The Osaka Stock Exchange took steps to enhance the transparency of the derivatives market

Mr Atsushi Saito, executive managing director of Nomura Securities, is critical of "speculation" in the futures markets. "A futures market cannot exist without the underlying cash market. The stock market's initial purpose is for companies to raise funds, not speculation," he adds.

However, Mr Kiyoshi Nikami, researcher at Japan Securities Research Institute, points out it was originally the brokerages and corporations which drove investors from the cash market.

"The cash market's appeal to investors has deteriorated due to focus on the underwriting business by brokerages and the equity financing frenzy by companies," observes Mr Nikami.

Apart from the decline in liquidity in the cash market, investors are attracted to the futures and options market as derivatives offer an exposure to the equity market at lower costs due to lower commissions and tax-saving benefits.

The OSE and TSE have started to tighten the grip on derivatives trading, and are still working on further long- and short-term reforms. The two exchanges have announced that, from next Monday, they will double commissions for futures and options trading – the first increase of futures and options contracts in Japan.

There is speculation in the market that Tokyo could impose a ceiling on brokers' arbitrage positions, and place tighter limits on price movements on illiquid stocks of the Nikkei 225. Critics of futures trading point out the volatility can be created by manipulating the price movements of illiquid shares within the price-based Nikkei 225 average.

Meanwhile, derivatives traders claim that adverse feeling against derivatives trading is driving business to offshore markets such as the Singapore International Monetary Exchange (Simex) and the Chicago Mercantile Exchange, where Nikkei 225 futures are traded.

"If derivatives traders see an opportunity on a price basis, they will move to that market," says Mr Alex Woodthorpe, derivatives analyst at SG Warburg Securities. With margins for futures contracts higher on the OSE, an increasing number of investors are moving to Simex, which is in the same time zone.

The Simex Nikkei futures contract, launched in 1986, was the first futures contract on the Japanese stock market. Trading volume on the Simex has been boosted by the OSE's listing of its Nikkei futures. Daily volume, which average 3,045 contracts last year, surged to 6,789 contracts in February.

Starting with the June contract, the last trading day and final settlement price of the Simex Nikkei futures will be made identical to the OSE Nikkei futures contracts. Simex will also list Nikkei stock options from today.

Traders point out that the Simex Nikkei contract offers more liquidity, because it is traded on open bidding and offering on the trading floor, as opposed to OSE's screen-based trading.

Japanese regulators are already concerned about the trading outflow. Mr Mitsuo Sato, TSE vice-president, says that a "level playing field" is necessary, and adds that, if trading on offshore markets undermines investor confidence in Japan, the TSE and the OSE will request implementation of similar trading rules to overseas exchanges.

Simon London finds conflicting attitudes towards the OTC market

Banks take expansive view

THE £150m treasury loss incurred by Allied Lyons last year, through its involvement in the options market, had a dramatic impact on corporate attitudes towards derivative financial instruments.

However, while the episode made companies look hard at their treasury operations, bankers argue that there has been no significant slow-down in the rate of growth or innovation in the futures and options markets.

They point to three main areas of growth:

■ New buyers are coming into the market as the price of interest-rate and currency-hedging products falls to the point where it is efficient for smaller companies to buy complex hedging products. Competition among banks offering over-the-counter derivatives has intensified.

"Margins have come down to the point that they can not fall any further," commented Peter Hajas, head of interest-rate derivatives at SBC/O'Connor.

He estimated the price of simple sterling or dollar interest-rate products, such as caps and floors, had fallen to just 25–30 per cent of the levels seen at the end of the 1980s.

■ Banks are offering existing products in a wider range of currencies. Demand has grown for interest-rate hedging products in European currencies such as the lire and the peseta, while hedging tools such as forward contracts and options are now available in a range of smaller currencies.

National Westminster Bank, for example, plans to make a forward market in currencies from Korean won to Indonesian rupiah by early summer. By the year end, it hopes to be offering options on these currencies.

■ New products are being developed which offer existing customers new ways to hedge currency and interest-rate exposures.

Within the interest-rate derivatives market, there is growth in products which allow buyers to manage previously inseparable risks.

For example, in buying an "index swap", an investment manager might agree to pay the bank Deutsche Mark interest rates in return for a payment linked to US dollar interest rates. This is clearly an interest-rate hedge based on the expectation of falling German interest rates and rising US interest rates. However, the whole transaction is denominated in dollars, separating out the risk of an appreciation in the D-Mark.

Within the options market, developments include drop-out or barrier options. These offer a conventional option on a currency or market at an agreed strike price, but the contract dissolves if the market moves too far away from the strike price.

The product can be offered at a lower price than a conventional option, because the bank's exposure is easier to hedge. On this basis, it is favoured by fund managers or treasurers with a strong view on the direction of markets.

Another development is "tender-to-contract" options, which allow a company to hedge a *potential* currency exposure when tendering for a large contract. This works something like an option-on-an-option, but tries to take into account the probability of the company's actually winning the contract.

The biggest draw-back on these types of instrument is that the bank writing the option or swap can find it difficult to hedge its own exposure. This cost is inevitably passed through to the company buying the hedge.

Another product being aggressively marketed by a number of banks is the "average rate" option, on which the prevailing market rate is determined by a sampling process through the life of the instrument – rather than by simply taking the price on exercise date.

The idea is that the option will reflect the buyers' foreign-exchange or interest-rate exposures, rather than taking an unrepresentative "snap-shot" on a single date.

But while bankers are keen to parade the latest examples of futures and options-based financial engineering, corporate treasurers are showing a desire to return to basics.

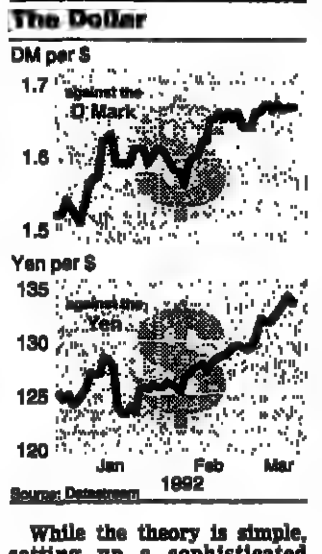
"There has been a reversion to a more fundamentalist attitude to treasury management," commented Derek Ross, head of treasury management consultancy at Touche Ross. "There is a growing awareness that every level of complexity adds to the cost of financial products."

For example, big companies with large, core foreign-exchange exposures have started to use "dynamic currency hedging" in preference to over-the-counter (OTC) options.

Dynamic currency hedging involves the active management of a physical currency portfolio, to "synthesise" currency options. The core of the system is a computer-trading model, which automatically buys and sell currencies according to day-to-day exchange rate movements.

For example, a UK company needing to hedge a dollar exposure would buy dollars as the US currency appreciated against sterling, and sell dollars as the US currency depreciated, according to a pre-set formula.

The Dollar



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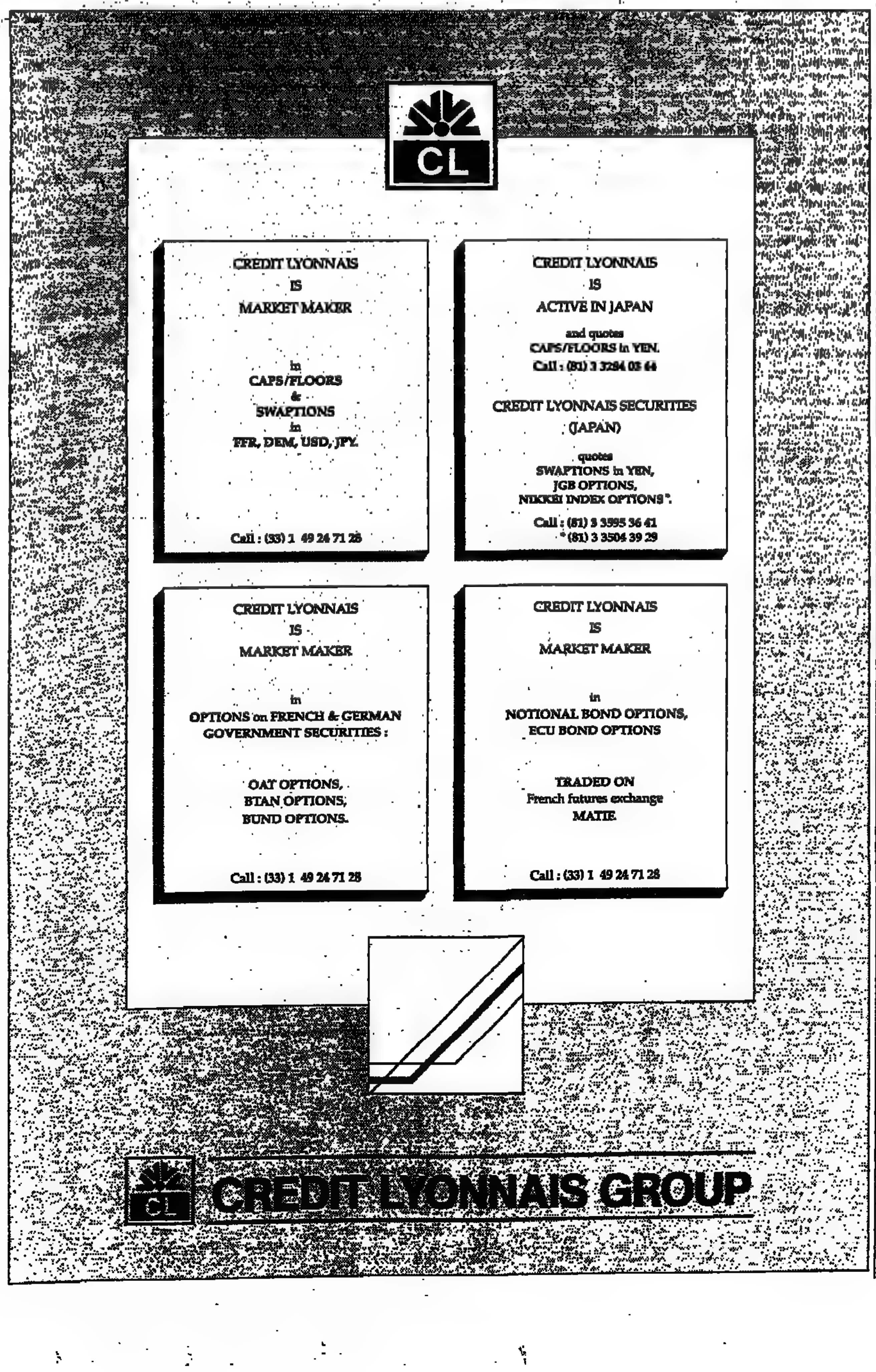
While the theory is simple, setting up a sophisticated dynamic currency-hedging system can be expensive, up to ½ per cent of the exposure being hedged. There are also cumulative costs in the day-to-day trading of the currency portfolio – although initial fees are reduced if the trading is channelled through the same bank which sells the system.

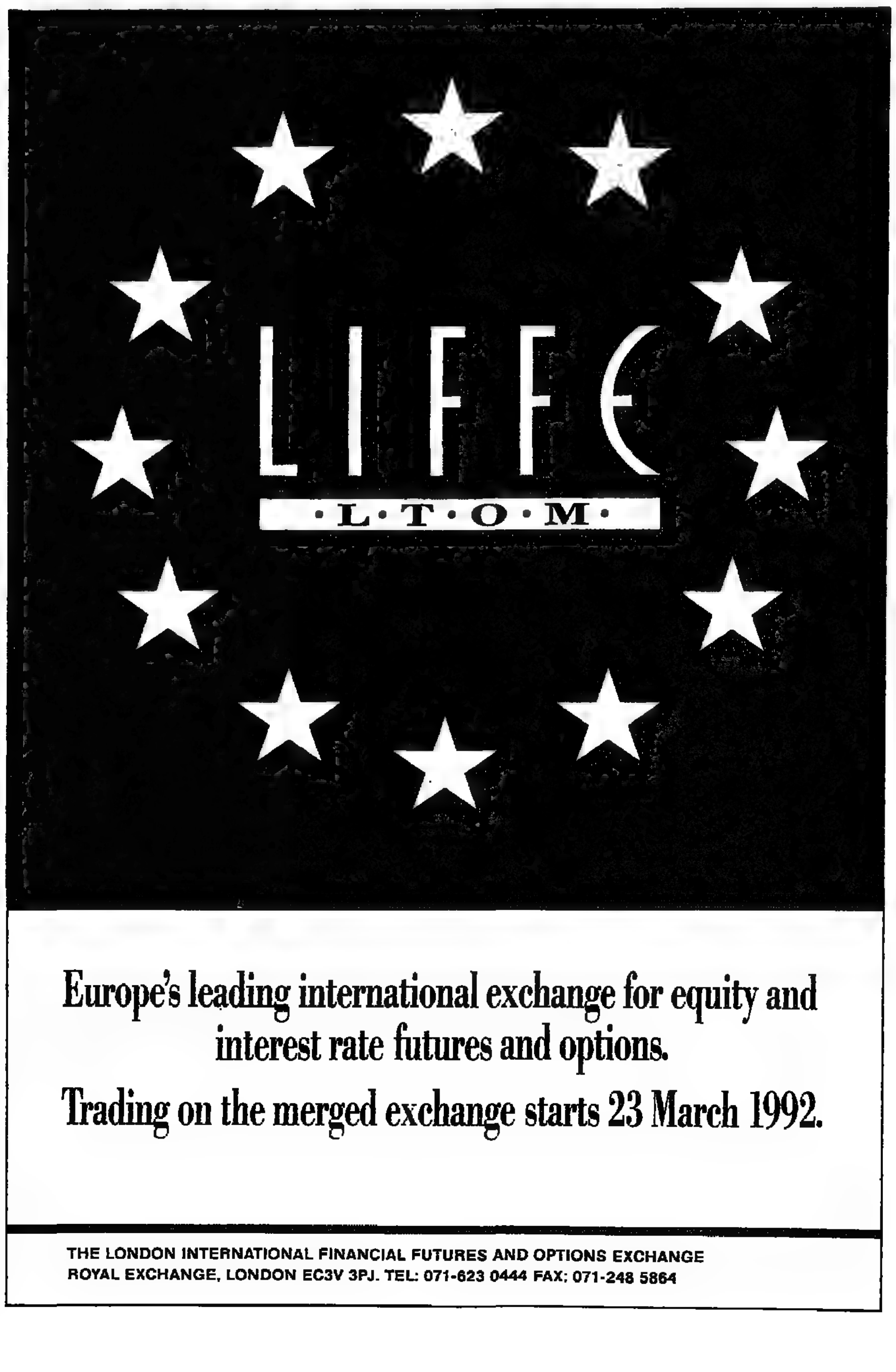
Nick Goulding, head of derivatives at National Westminster Bank, estimated that dynamic currency hedging was efficient only for companies with a core foreign exchange exposure in excess of £50m.

However, big banks, including NatWest itself, already use dynamic currency hedging techniques in place of OTC options. Blue-chip companies are following suit.

The technique is popular in the management of "translation exposures", which arise from the translation of foreign currency earnings back into a base currency for accounting purposes.

Dynamic hedging is least efficient in liquid currencies, because the cost of the alternatives – including OTC options – is less. However, simplified forms of the technique are being used without a huge investment in systems to manage exposures in "exotic" currencies, where OTC hedging products are only available at a high cost.





UK fund managers are looking again at derivatives, says **Tracy Corrigan**

Diversification is the spur

UK INVESTMENT managers have been slow to turn to futures and options markets, preferring to rely on traditional skills such as stock-picking.

Although their portfolios continue to be dominated by UK shares, increasing diversification is encouraging fund managers to look again at the benefits of derivative products.

Banks are addressing, with some vigour, the task of converting UK investment managers, a largely untapped investor base.

Some barriers have been removed. Most important, fund managers' tax position was clarified in the 1990 budget. "Taxation is no longer an issue," according to Mr Clive Gilchrist, chairman of the National Association of Pension Fund's Investment Committee.

There has been progress on other issues, such as performance measurement. A recent set of recommendations for the reporting of financial futures and options in investment portfolios, published by the London International Financial Futures Exchange and Bacon & Woodrow, the actuaries, is expected to create an industry standard for the first time.

These guidelines should also help fund managers to clear another hurdle: trustee approval. But once trustees are satisfied that the use of derivative products is judicious, trust deeds may still need to be altered.

There are less tangible obstacles. Many analysts believe the structure of the fund management industry has not favoured the development of derivative strategies. A fund manager's performance is generally measured against other fund managers' or against an index.

"The fear of doing worse than their competitors is generally stronger than the desire to do better," according to one derivative specialist, who believes the greatest catalyst for change will be an extremely strong performance by fund managers using derivatives.

For most fund managers, derivatives are an investment tool and not a distinct asset class. This use of derivative products falls under the concept of efficient portfolio management, under Securities and Investment Board rules.

While futures and options can be used for a variety of purposes – to hedge exposure (for example, to reduce potential losses on a cash holding of stocks) or to pick stocks – it is the application of derivative techniques to asset allocation that has captured the attention of UK fund managers.

The opening of many more foreign markets and the increasing level of international trading is causing a change in fund management techniques. Many fund managers have found that traditional skills of stock-picking are less relevant than the identification of broader market trends – for example, the difference in performance between US stocks and Japanese stocks tends to be far greater than between ICI and Hanson shares.

However, to buy and sell large holdings of stocks or bonds can be both time-consuming and expensive. It is often cheaper and more efficient to shift exposure by, for example, buying FT-SE index future contracts and holding a cash deposit, so creating a synthetic equity asset.

The growing use of derivative products by fund management groups is still limited largely to institutional funds. According to a new survey by KPMG Management Consulting, five out of 10 top pension fund organisations use futures and options in more than 25 per cent of their funds – a substantial increase on last year, when eight out of the 10 funds surveyed used futures and options in only 25 per cent or less of funds managed.

In addition, the way has now been cleared for retail investors to buy unit trusts which use futures and options. Last July, the Securities and Investments Board opened the door for authorised unit trusts to invest in futures and options through two new types of fund: futures and options funds (FOFs) and geared futures and options funds (GFOFs). FOFs can invest up to 10 per cent of their assets in derivative products, while 20 per cent of assets in GFOFs can be in futures and options which do not have to be covered.

So far, only two companies have taken advantage of the new rules and launched funds, although about 10 are believed to be awaiting authorisation.

The first funds, launched by John Govett, have so far made sales of over £30m through financial intermediaries. However, these funds are targeted at "the top end of the UK market", according to director Adam Parkin.

The only genuine retail product launched to date has been Legal & General's UK Tactical Allocation Trust, which has raised around £5m so far. Prudential, which cancelled earlier plans to launch FOFs, due to adverse reaction, is "still working towards the launch of one or more derivative-based funds", according to Mr Alan Wren, managing director.

So far these funds are available only in the UK. But the Joint Exchanges Committee is lobbying to have the Ucits directive extended, so that such funds are given an EC passport. Such a move is still some way off, however.

Meanwhile, another branch of the industry is developing: offshore futures funds. Unlike the pension-fund industry, managed futures funds treat derivative products as a distinct asset class, often using quantitative techniques.

The industry had experienced massive growth in the US during the 1980s, to around $20bn. A budding European offshore futures fund industry is estimated to have reached only $2bn. Moreover, most of the actual investment management is still done out of the US, where experts known as CTAs (commodity trading advisers) are based. However, some specialist firms, such as Rudolf Wolff and Sabre, are fostering home-grown talent. Some large banks, including Citibank, are also marketing managed futures in Europe.

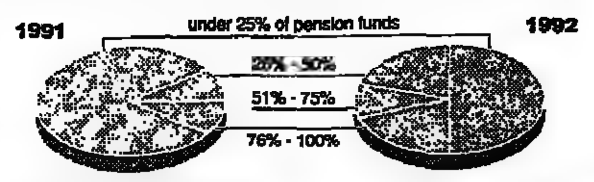
A gradual shift is under way in the UK fund management industry. Some very large institutions, including Prudential, the British Rail pension fund and Postel, openly declare their use of derivative products.

Some fund managers believe that economic conditions will create an added impetus. They suggest that fund managers have been spoilt by high returns in recent years and that, with returns set to fall, the argument for using derivative products to enhance returns will become more compelling.

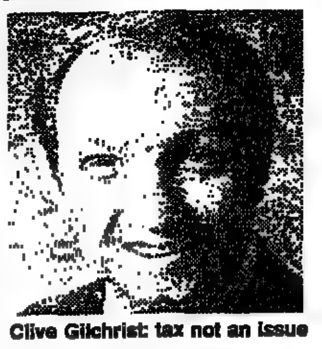
However, conversion of UK fund managers, who still hold the vast bulk of their assets in UK stocks, will not be a speedy process.

Use of futures and options by UK pension fund management groups

There has been a significant increase in fund managers' use of futures and options. Five out of 10 of the pension fund managers surveyed now use futures and options in more than a quarter of their pension funds.



Source: KPMG Management Consulting



Clive Gilchrist: tax not an issue

Alan Wren: launches planned

US managed funds

Talent capsized by money wave

MANAGED FUTURES funds used to be seen as exotic, high-risk ventures, for either the brave or the foolish. But the amount of money flowing into managed futures – into public funds, private pools or individual accounts – has mushroomed in the past few years.

Even pension funds, the most cautious and finicky of investors, are now putting money into them.

Morton Baratz, editor of Managed Accounts Reports, a newsletter that tracks the managed funds industry, estimates that assets in managed futures worldwide have shot up from just $4bn in 1988 to $21bn today.

From 1980 through 1990, the average annual compounded growth rate was about 35 per cent for managed futures. And despite considerably slower growth last year, a poor year for many markets, many in the futures industry expect that managed futures will eventually be to commodities what mutual funds are to equities – a vast, deep ocean of money.

The most explosive growth in managed funds occurred after the 1987 crash, as investors became wary about equities. Also, in the last 18 months, the decline in US interest rates has spurred many to consider managed futures who would never have looked at them before.

American pension funds, for example, which must contend with strict regulations as to how they invest, have begun to dabble in managed futures. While the names and amounts of most of these investments are not known publicly, industry experts guess that between $1bn and $1.5bn of pension-fund money is in managed futures.

Mr Baratz estimates that a third of the $21bn now in managed futures is from foreign sources, though he says precise numbers are difficult to establish. Many foreign institutional investors, particularly from Japan, have placed money in the hands of American commodity-trading advisers (CTAs), the professional managers of commodity funds. According to Jane Martin, executive director of the Managed Futures Association, Japanese and European investors are likely to provide managed funds' next biggest burst of growth.

Overall, investors appear to be changing their attitude towards managed futures. "There are more institutions, both foreign and domestic, looking to add futures to their portfolios than I've ever seen before," said Frank Pusateri, senior vice-president for investments at Prudential Bache in New York.

The advent of guaranteed funds, in which capital is secure, has helped to overcome the old barrier of horror about commodities markets, notes Peter Matthews, chief portfolio strategist at Mint Investment Management, which has some $900m under management.

CTAs have also emphasised to potential clients that they should take a long-term view rather than a get-rich-quick stance. Most institutions would be happy with returns of about 15 per cent a year. "A 40 per cent to 50 per cent return would probably scare them off," said Mr Pusateri.

Like venture capital and international stocks, "we are going through a period of acceptance," observes Robert Easton, president of Commodities Corp, which has about $1bn under management. Yet the recent tide of money into managed futures funds is already presenting them with serious capacity problems. And this may slow down their growth.

In the US, speculative position limits inhibit the ability of large traders in many markets, particularly in agriculture, where huge sums have been made in the past. Often, too, there is insufficient liquidity to absorb the large quantities that funds trade.

The limits on American exchanges and the need for diversification have driven substantial amounts of managed-fund trading offshore. CTAs, including some of the largest, have estimated that between 20 per cent and 70 per cent of their trading is in non-US markets. One top CTA credits trading abroad for his superior returns, compared with those who trade mostly in the US.

"Our preference would be trading in the US, but we'll go where the liquidity is," said Kenneth Tropin, president of J.W.Henry, which has about $750m under management, and chairman of the Managed Futures Association (MFA).

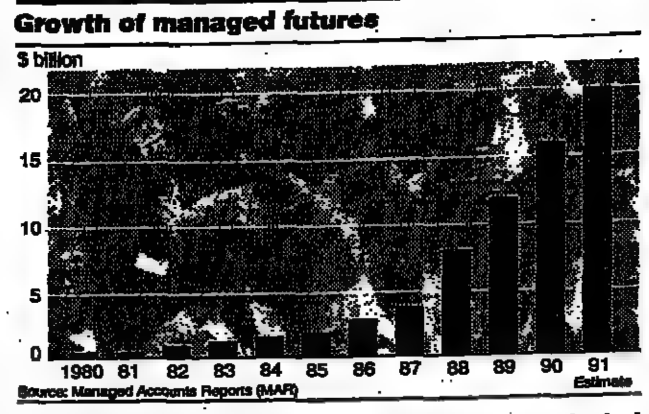
There is also concern that the wave of money coming into managed futures is overwhelming the current pool of trading talent. There seems to be a limit to how much an individual can handle, and some CTAs have simply closed their doors to new clients or restricted how much more money they will accept.

US futures exchanges are working with the MFA to win approval from the Commodity Futures Trading Commission, the industry regulator, to lift position limits and prohibitions on trading certain contracts. The exchanges are also seeking approval to change their rules, to favour large order executions and provide average prices for large orders. Such steps "are helpful developments" says Mr Easton.

Exchange officials and many CTAs in the US complain that the regulatory restrictions inhibit the growth of American markets, and place them on an uneven playing field with their foreign competitors. They are pressing for changes, without which the growth of managed futures is likely to be less stunning than predicted.

Barbara Durr

Growth of managed futures



Source: Managed Accounts Reports (MAR)

Equity and commodity swaps

Techniques find new markets

AFTER A decade of dynamic growth, the global swaps market stands at $3,000bn, according to estimates by the International Swap Dealers Association. The application of existing technology to new markets is set to fuel further expansion in the 1990s.

Most existing swap agreements are exchanges of interest-rate or currency flows, allowing corporate treasurers to match assets and liabilities, to hedge exposure, or to reduce funding costs. The same technology is now being used to create commodity swaps and equity swaps. While both these sectors still account for only a small portion of the global market, both have engaged a new breed of swap-market participant.

While corporate treasurers are vulnerable to sharp movements of currencies and interest rates, fund managers are equally affected by equity market movements, and businesses that require large quantities of commodities suffer if commodity prices rise.

For banks already involved in the swaps market, the new client base is an attractive one. Interest-rate and currency swaps have become actively traded, and, as competition among banks has increased, margins have shrunk dramatically.

As they are still at an early stage of development, greater expertise is required in the equity and commodity swap markets – partly because the risk assumed by banks is more difficult to hedge – and consequently higher fees can be charged.

In fact, the concept of the equity swap appears so far to have inspired bankers more than fund managers. However, there are signs that the idea is starting to take hold, particularly in the US. Several aspects of the concept hold particular appeal for US fund managers.

First, it is an easy way of investing in foreign markets without assuming currency risk, which US fund managers, unlike their European counterparts, often prefer to avoid, or at least to separate. Second, many US fund managers like the idea of being able to transfer expertise in one class of asset to another.

An equity swap simulates the performance of an equity index. It can be used as an alternative to futures and options for hedging. But it is most attractive to fund managers, whose target is to out-perform an index.

In an equity swap, the fund manager receives a stream of payments which replicate the return of a direct investment in an equity index, and in exchange makes a stream of payments to the bank based on, usually, the London interbank offered rate. The precise structure of the transaction is tailored to suit the investment manager's needs.

An equity swap combined with core holdings can increase a fund manager's ability to enhance returns. But there are deterrents. While swaps, unlike futures, can run for up to 10 years, the element of credit risk is greater. Although payments are normally made every three months to reduce exposure, credit considerations can be an issue. However, there is no exchange of principal, so exposure is relatively limited.

In the UK, fund managers are fighting shy of the concept, partly because of uncertainty about the tax treatment of equity swaps. Since no such uncertainty now exists for index futures and options, many fund managers prefer to stick to this more travelled route.

Although the market has been in existence for about five years, estimates of the amount of outstanding equity-swap agreements are difficult to gauge. The market is not developing in isolation, but in conjunction with the surge of business in equity derivatives, currently one of the most profitable financial markets. Equity swaps are being offered alongside an increasingly diverse range of products.

At the same time, activity in exchange-traded futures and options has advanced strongly.

The commodity swaps market, on the other hand, offers hedging opportunities where little or no alternative exists. Partly for this reason, the market is experiencing a healthy growth rate. The size of the commodity swaps market had grown, according to estimates, from $3bn in 1988 to $10bn before Iraq's invasion of Kuwait in 1990, and is now believed to total $40bn.

The largest portion of the market – as much as 80 per cent – is made up of oil-related transactions, partly a result of the volatility of the oil market. "The Gulf war is the best thing that ever happened to the commodity swaps market," said one trader.

The extreme volatility of oil prices during the Gulf crisis appears to have brought about a change in attitude among oil consumers, which extensive marketing by banks had failed to achieve. Many companies, which had viewed derivative instruments of speculative tools, were convinced (at the cost of substantial financial losses in many cases) that, as banks had long argued, it was often a more speculative position not to hedge exposure and so to bear the full risk of any market movements.

In a commodity swap, a company receives a cash flow pegged to a commodity index or price. Transportation companies, mainly airlines, have led the field. British Airways and KLM have been active in the market since the late 1980s, while US airlines have been slower to participate, fearing that the market could move in favour of unhedged competitors.

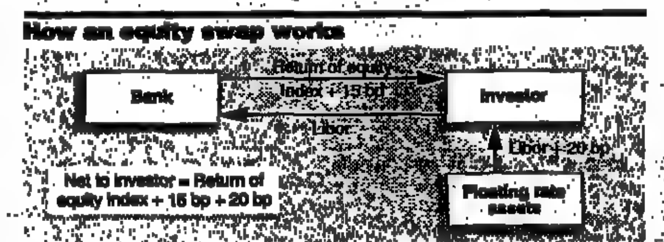
Activity in the swaps market has been boosted also by the realisation that basis risk in the futures market is high. Since only a few exchange-traded oil futures contracts exist, many contracts provide imperfect hedges. For example, there is no jet-fuel contract, so a proxy, such as gasoil, has to be used. Jet fuel has historically traded at $25 per ton more than gasoil, with a high in early 1989 of $50. During the Gulf crisis, the spread ballooned to an average of $65 and a high of $136. As well as oil swaps, there are commodity-swap markets in gas and also in metals, including copper, aluminium and zinc. Agricultural commodities account for only a tiny portion of business.

While the ultimate level of activity in various sectors of the swap market is hard to predict, the shift in attitude which has sparked demand for a broader range of instruments is clearly visible.

"It is no longer acceptable for companies to attribute poor performance or results to commodity price movements," according to Katharine MacWilliams, head of commodity swaps at First Chicago. Increasing competition within their own industry – whether fund management, transportation or manufacturing – is likely to provide the greatest catalyst for change.

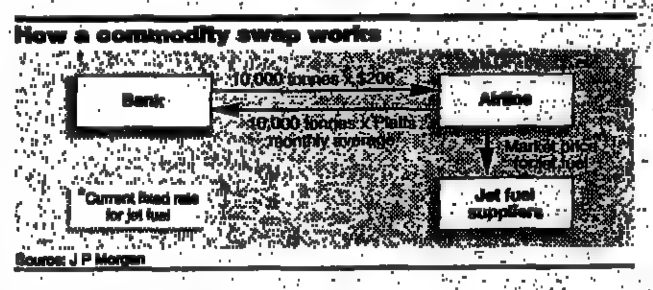
Tracy Corrigan

How an equity swap works



Source: Salomon Brothers

How a commodity swap works



Source: J P Morgan

There is a limited amount of exhibition space available at the conference

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LIMITING MARKET RISK
LONDON – 12 & 13 May, 1992

The international securities markets and the multi-lateral attempts to limit market risk will be the subject of this high-level conference to be arranged by the Financial Times.
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LONDON STOCK EXCHANGE

Shares fall as election concern grows

By Peter John

WHATEVER may be the opposite of election fever, the London stock market suffered a severe bout yesterday.

Opinion polls favouring the opposition Labour party set the tone for the day and the FT-SE 100 Index was left to languish by disinterested investors.

Not even a firm overnight close on Wall Street, encouraging UK retail sales figures for February, well-received company results or new appointments to the FT-SE 100 Index could revive jaded spirits.

Marketmakers noted at the opening that two opinion polls had shown Labour five points ahead of the governing Conservatives and, perhaps predictably, marked down their prices. Shortly after business began, the index showed a drop of more than 20 points.

Account Dealing Dates			
*First Dealings:	Mar 9	Mar 23	Apr 6
Option Declarations:	Mar 19	Apr 2	Apr 23
Last Dealings:	Mar 20	Apr 3	Apr 24
Account Day:	Mar 30	Apr 13	May 5

*New-time dealings may take place from 9.30 am two business days earlier.

This depressed mood was made worse by the lack of enthusiasm in the Financial Futures market, where the FT-SE contract for March delivery traded at a discount to its estimated fair value premium, and even at a discount to the cash market, for most of the day.

Dealers in the derivatives markets said that few houses were prepared to take advantage of the relatively cheap March contract and buy it. Buying of the futures contract would normally prompt selling of underlying stocks and the lack of it yesterday meant that, if the futures were not dragging the index down, they were preventing a rally.

Activity in the futures was prompted mainly by spasmodic buying in the traded options market of FT-SE puts, giving the right, but not the obligation, to sell at a fixed price; this was seen as a hedge against a Labour victory.

Wall Street failed to provide impetus in the new session and turnover in London remained poor despite a placing by the securities house, Hoare Govett, of 34.4m Cadbury Schweppes shares, sold to raise cash for investment in Mexico.

Sterling and long-dated gilts also drifted down in response to the opinion polls. In the last half hour of trading, the Index fell to its low of the day. Shares were depressed by gloomy expectations for two significant opinion polls due today.

UK stocks were also influenced by a rumour that German workers might be about to receive a higher than expected pay settlement.

Stock features included Rank and Unitech, which both fell sharply on worries over the profits for their Japanese subsidiaries, and Glaxo and Reuters which suffered from selling in New York. Cable & Wireless was easier on management changes.

Midland Bank remained the most heavily traded stock following the announcement on Tuesday that it is to merge with Hongkong & Shanghai Banking Corporation. BAT Industries and Marley rose on well-received results and Courtaulds was strong around presentations to institutions.

The FT-SE Index closed at 2464.7, a fall of 26.5 on the day and just above its intra-day low. Turnover of 446.5m shares was slightly lower than on the previous day when retail or customer business was worth £952m.

● After the market closed, the FT-SE 100 Steering Committee announced quarterly changes to the FT-SE 100 Index. Lonrho, Trafalgar House, Royal Insurance and Tarmac have been removed from the index and have been replaced by ECC Group, Bowater, Siebe and Coats Viyella.

FINANCIAL TIMES STOCK INDICES

	Mar 18	Mar 17	Mar 16	Mar 13	Mar 12	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	86.20	86.40	86.13	86.35	86.74	84.49	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.48	99.50	99.82	99.83	99.88	83.82	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1925.8	1940.8	1930.8	1935.8	1948.6	1937.7	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	121.3	116.0	118.3	123.9	127.1	148.7	222.8 (11/7/91)	116.0 (17/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2464.7	2491.2	2470.7	2478.0	2483.3	2441.2	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1165.83	1159.33	1161.33	1168.56	1169.10	1115.72	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.64	4.53	4.64	4.64	4.61	5.00				
●Earning Yld %(full)	6.60	6.54	6.61	6.58	6.54	9.18				
●P/E Ratio(Net)(*)	19.19	19.36	19.17	19.24	19.36	13.43				
SEAO Bargns 5.00pm	29,610	27,873	26,511	27,573	28,888	38,987				
Equity Turnover(£m)†	-	832.7	678.7	1028.6	1049.6	1129.38				
Equity Bargains†	-	31,431	28,515	30,795	32,507	40,286				
Shares Traded (ml)†	-	402.9	317.1	474.1	420.9	476.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ 18 16.26

Ordinary Share Index, Hourly changes — Day's High 1941.4 — Day's Low 1925.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1930.7	1931.3	1939.9	1936.1	1935.7	1937.4	1937.0	1938.6	1930.2

FT-SE 100, Hourly changes — Day's High 2485.0 — Day's Low 2464.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2478.1	2475.7	2482.3	2478.1	2477.0	2478.1	2477.6	2480.6	2469.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1171.07 — Day's Low 1165.83

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1169.54	1170.01	1168.51	1168.63	1168.67	1167.43	1167.84

GILT EDGED ACTIVITY

Indices*	Mar 17	Mar 16
Gilt Edged Bargains	89.6	92.2
5 – Day average	103.9	107.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Cadbury eases on placing

A PLACING of Cadbury Schweppes shares drove the price down 10 to 433p. New shares totalling 34.4m were placed with institutions by company broker Hoare Govett at 425p apiece to help pay for the acquisition of Femsa Aguas Minerales, a Mexican producer of carbonated mineral water.

Cadbury Schweppes is paying $325m (£188m) for the company, raising £145.1m through the share placing and taking the remaining £42.9m from existing cash resources.

The share placing had not shown up on the Seaq reporting system at the close of business, when the day's total volume in Cadbury stock was 3.2m shares. Outside of the share placing, trading in Cadbury was average and the share price followed the sector.

Unitech warning

A warning on trading progress from the Japanese subsidiary of Unitech sent ripples across the stock market yesterday. The electronic components group lost 18 to 170p after Nerric-Lambda, a power supply manufacturer, issued a profits warning.

The Unitech announcement prompted alarm over Rank Organisation's Japanese joint-venture, Fuji Xerox, which manufactures and markets office stationery equipment. It contributes around one-third of profits to Rank Xerox, which itself accounts for some 55 per cent of Rank Organisation's profits.

Analysts reported Rank as saying Fuji was "toughing it out" in difficult trading conditions. In New York, US broker Donaldson Lufkin and Jenrette was said to have moved from a buy to a hold on Rank Organisation. In London, the shares tumbled 23 to 643p.

Nerric-Lambda now expects to contribute only around £8m pre-tax to Unitech for the year to May 1992. Mr Robert Millington at BZW had previously predicted £13m profits at Unitech this year but, in view of the Nerric announcement, has downgraded to £11m.

Utilities hit

The latest opinion poll showings hit the utilities sectors of the market, with dealers chopping prices in a largely successful move to head off any big selling pressure.

Fears that a Labour government might affect the water, electricity, power generation and gas and telecommunications stocks have hung over the sectors for a long time.

Water shares were the worst hit as they are seen as most vulnerable to a Labour victory. Labour has repeatedly stated its intention of returning the water companies to public ownership.

Of the Footsie stocks, Anglian fell 14 to 332p, Thames 13 to 341p, and Severn Trent and North West 10 apiece to 321p and 342p respectively. The Electricity Package dropped 70 to £2548.

Scottish Power closed below 100p, the level at which the shares were sold last year, settling 2¼ off at 98½p. British Gas lost 6 to 248p and BT slipped a penny to 318p.

Midland Bank shares closed a further 11 higher at 340p, after 344p, on turnover of almost 14m, making the stock the day's most heavily traded on the London market.

Dealers said the market was expecting Hongkong and Shanghai Banking to reveal its merger terms in around two weeks, the consensus being that the minimum price it will offer will be around 375p with the potential for up to 400p.

Specialists maintained that Hongkong Bank will have to pitch its terms at a level to win the Midland board over before a possible counter-offer might emerge.

News of the departure of Mr Peter Van Cuylenburg, a director of Cable and Wireless and widely regarded as responsible for the build-up of the company's Mercury telecoms division, caused a flurry of selling of C and W shares. They registered a fall of 13 at 583p.

Last month C and W appointed the former head of BP America, Mr James Ross, as chief executive, apparently completing a management shake-up instigated by Lord Young, C and W's executive chairman. A telecoms specialist commented: "The fall in the share price is a demonstration of the City's high regard for Mr Van Cuylenburg."

International stocks were mostly affected by domestic political influences, including opinion poll developments, but Reuters stood out as a sufferer from transatlantic factors. Overnight selling from Wall Street set the downward trend of the global business communications group in a London market already disinclined to buy Reuters shares. At 1105p, the stock ended 36 down although turnover, at 441,000 shares, was insignificant.

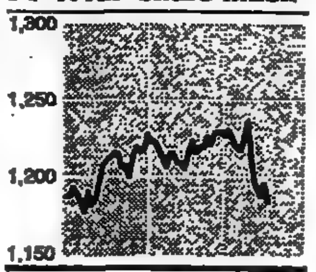
SmithKline Beecham stood out against a generally dull background, moving up 8 to 880p on the back of fairly modest buying. Fewer than 2m shares were traded but the units were upgraded by a New York brokerage house.

ICI, down 13 at 1224p, featured in the market's overall setback without attracting much attention from the dealing desks. The fall in Fisons was held to only 2 – to 364p – by underlying, albeit unconvincing, bid speculation. Glaxo, down 6 at 766p, dipped through a support level as US sources turned sellers.

Among the media stocks, WPP Group remained friendless, drifting 2 to 66p.

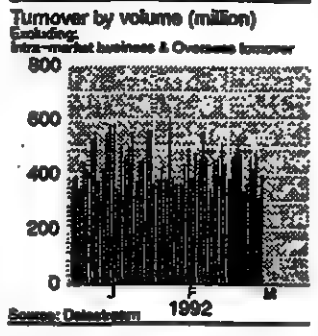
Chain manufacturer Renold continued to respond to suggestions that TT, a mini-conglomerate run by ex-Hanson dealmaker Mr John Newman, may be considering a bid for the group. Renold finished 5 ahead at 83p. TT revealed last week that it had increased its stake in the company to 4.6 per cent.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

Building products group Marley provided one of the market's better performances, responding to higher than expected preliminary profits. Up some 75 per cent at £25m, these compared with estimates around the £22m mark.

The shares settled 3 ahead at 122p, having touched 125p. Mr David Taylor, building sector specialist at UBS Phillips & Drew, described Marley as "the only building materials group that has reported increased profits for 1991 and the only one that will do so". Mr Taylor said Marley had "come from being a stale takeover stock to a company that has sorted itself out and is a buy in its own right".

Building materials retailers took a pasting from broker downgrades. Meyer dipped 14 to 353p and Wolseley 5 to 142p.

Theme park group Euro Disney rose ahead of today's inclusion in the CAC 40 index in Paris, adding 18 at 1678p, after touching 1690p.

The defensive attractions of Tate & Lyle helped the shares firm a penny to 421p against the general trend.

Political worries, following the latest opinion polls, weighed on the stores sector, in spite of better than expected retail sales data. Boots lost 7 to 435p, Dixons 4 to 219p, Marks and Spencer 4 to 315p and W.H. Smith "A" 10 to 444p.

Rothmans International fell 26 to 1013p in a delayed reaction to Tuesday's warning of a 15 per cent profits fall by Rothmans Holdings, of Australia.

Guinness was a bright spot in a drinks sector depressed by the nervous political situation. Shares in the brewing and whisky giant put on 2 to 570p ahead of today's results.

Bass fell 19 to 530p, Grand Metropolitan 6 to 886p and Whitbread "A" 9 to 418p.

Gloom surrounded Automated Security Holdings shares, as the security alarms group revealed preliminary profits down some 30 per cent to £23.2m, well below most analysts' forecasts. The stock plummeted 31 to 102p on above average turnover of 1.7m.

After Tuesday's successful presentation to institutions by Dowty Group, at which executives are said to have eased worries over the dividend on the back of the imminent part-sale of its IT business, the shares steadied in a weak market, losing a penny to 114p. The good showing reflected poorly on Smiths Industries, which is often talked of as a predator to Dowty, the shares losing 9 to 275p.

BM Group failed to find support after a large seller moved into the market, the shares falling 20 to 367p. Johnson Matthey climbed 11 to 365p on optimism over the South African election.

MARKET REPORTERS:
Colin Millham, Terry Byland, Steve Thompson, Christopher Price.

■ Other market statistics, including the FT-Actuaries Share Indices, Page 26.

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (66).
AMERICANS (3) Chrysler, Eaton, Morris (Ph), BANKS (1) Midland, BREWERS & DISTILLERS (2) Morland, Wolv. & Dudley, BUSINESS SERVICES (3) [illegible], ELECTRONICS (3) Farnell, Hewlett-Packard, Multitone, ENGINEERING GENERAL (1) Weir, FOOD MANUFACTURING (3) Nestle (Br), Do. (Reg), Nichols Vimto, FOOD RETAILING (1) Iceland Frozen, HOTELS & LEISURE (2) Euro Disney, Tanjong, INVESTMENT TRUSTS (3) Abtrust Prfd. Zero Prf., Murray Split Cap. Zero Prf., Scot. Value, MISCELLANEOUS (1) Cornwell Parker A, MOTORS (2) Evans Halshaw, Volvo B, OTHER FINANCIAL (1) Potphand, OTHER INDUSTRIAL MATERIALS (1) Servomex, TEXTILES (1) Brit. Mohair, PLANTATIONS (1) Cons. Plants.
NEW LOWS (88).
BRITISH FUNDS (3) Ex. 13½pc 1992, Tr. 13¾pc 1993, Tr. 14½pc 1994, CANADIANS (1) Gulf Canada, BANKS (6) Fuji, Kyowa Saitama, Mitsubishi, Mitsubishi T & B, Yasuda T & B, BREWERS & DISTILLERS (3) [illegible], BUILDING MATERIALS (1) Blockleys, BUSINESS SERVICES (2) Boustead, Corporate Servs., CONGLOMERATES (2) Mosaic Inv., Porter Chadburn, CONTRACTING & CONSTRUCTION (4) Bellwinch, Higgs & Hill, Kalims, Nth. Midland Constr., ELECTRICALS (2) Mitsubishi, NEC, ENGINEERING GENERAL (3) AMS Intl., Ransomes, Do. 8.25p Prf., HOTELS & LEISURE (3) Kunick, Do. 6¼p Prf., Wembley, INSURANCE BROKERS (1) Sturge, INSURANCE COMPOSITE (6) Baloise, Gen. Accident, Hafnia, Royal, Sun Alliance, Trade Indemnity, INVESTMENT TRUSTS (16) Derby Cap., Drayton Blue Chip, Drayton Korea, M & G Inc. Cap., Do. Package Units, M & G Second Dual Cap., Murray Split Cap., Overseas Inv. Wrrnts., River & Merc. Cap., River Plate Inc., Schroder Jap. Wrrnt., Do. Wrrnts., Scot. Natl. Inc., Do. Cap., Throgmorton Wrrnts., Tor Inv. Cap., MEDIA (3) Colorgraphic, Holmes Marchant, Thames TV, MERCHANT BANKS (2) Brown Shipley, [illegible], METAL & METAL FORMING (1) Barrett (H), MISCELLANEOUS (3) Dudley Jenkins, Eurocopy, Fitzwilton, MOTORS (2) Jacks (Wm), TLS Range, OIL & GAS (6) Aminex, Brabant Res., Clyde Petrlm., Edinburgh Oil, Goal Petrlm., Sceptre Res., PACKAGING, PAPER & PRINTING (1) Waverley Cameron, PROPERTY (15) Allied Lon., Brit. Land, Brit. Land (Jersey) 6¾pc Cv. 2011, Cap. & Counties 5¾pc Prf., Debenham Tewson & C., [illegible], Hammerson A, Helical Bar, Do. 5¼pc Prf. 2012, Land Securities, MEPC, Marivale Moore, Property Trust, Regalian, Slough 8¼pc Prf., STORES (5) Bentalls, Mallett, Oliver, Partridge Fine Arts, Ratners, TEXTILES (1) Jacques Vert, TRANSPORT (4) All Nippon Airways, Eurotunnel Wrrnts., Manchester Ship Canal, Turnbull Scott, PLANTATIONS (1) Highlands, MINES (3) Anglesey, Ennex, Northgate Expl.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	8	474	-6	Comm Union	370	408	-8	Lucas	4,200	125	+4	Shell Transport	3,700	450	[illegible]
ASDA Group	4,300	35½	-¼	Cookson	5,100	114	-3	MB Caradon	1,000	263	-7	Siebe	228	605	-2
Abbey National	1,400	271	-4	Courtaulds	1,100	532	+10	MEPC	428	318	-16	Slough Ests	875	173	-6
Albert Fisher	2,300	67		Dalgety	[illegible]	365	-9	[illegible]	[illegible]	[illegible]	-12	Smith (W.H.) A	857	444	-10
Allied-Lyons	1,000	582	-3	De La Rue	180	860		Marks & Spencer	4,700	315	-4	Smith & Nephew	750	141½	-½
Amstrad	800	38		Dixons	2,700	219	-4	Midland Bank	13,000	340	+11	SmKl Beecham	2,000	880	+8
Anglian Water	[illegible]	332	-14	ECC Group	[illegible]	488		Midlands Elec.	100	346	-5	SmKl Beecham Uts	95	[illegible]	[illegible]
Argos	[illegible]	298	-3	Eastern Elec.	1,300	228	-6	NFC	[illegible]	242	-2	Smiths Inds.	244	275	-9
Argyll Group	3,400	334	-1	East Midland Elec.	380	334	-8	NatWest Bank	2,600	397	-5	Southern Elec.	80	244	-5
Arjo Wiggins	[illegible]	235	-5	Enterprise Oil	[illegible]	378		National Power	5,500	184	-5	South Wales Elec.	7	287	-5
Ass. Brit. Foods	[illegible]	410	-5	Eurotunnel Units	[illegible]	423	-7	Next	[illegible]	[illegible]	[illegible]	South West Water	[illegible]	[illegible]	-11
[illegible]				[illegible]				[illegible]				[illegible]			
British Steel	9,000	77	-½	Kingfisher	807	481	-7	Ryl Bk Scotland	2,700	173	-3	Warburg (SG)	84	615	-6
British Telecom	3,900	318	-1	Kwik Save	397	[illegible]	-3	Royal Insurance	2,000	173		Wellcome	865	980	-9
Br Telecom New	4,700	185	-1	Ladbroke	2,100	221	-4	Saatchi	4,300	17	-¼	Welsh Water	187	385	-7
Bunzl	3,700	88	+1	Land Securities	1,100	404	-13	Sainsbury	2,700	374	-4	Wessex Water	239	371	-13
Burmah Castrol	270	607	-4	Laporte	294	577	-8	Scottish & New	1,100	434	-2	Whitbread 'A'	1,100	418	-9
Burton	2,800	35½	-¼	Legal & General	1,700	384	-3	Scot. Hydro-Elec.	1,000	100	-3	Williams Hldgs.	1,800	305	-9
Cable & Wire.	1,500	583	-13	Lloyds Abbey	235	260	-9	Scottish Power	3,900	98½	-2½	Willis Corroon	727	251	-5
Cadbury Schweppes	3,200	433	-10	Lloyds Bank	3,000	379	-13	Sears	1,300	100	-1	Wimpey	1,200	140	-7
Calor Group	22	[illegible]		LASMO	9,200	131	+3	Sedgwick	307	218	-2	Wolseley	370	420	-11
Carlton Comms	1,500	551		London Elec.	771	255	-8	Seeboard	483	264	-6	Yorkshire Elec.	1,300	297	-7
Coats Viyella	[illegible]	190	-1	Lonrho	11,000	95	-1	Severn Trent Water	2,800	321	-10	Yorkshire Water	1,300	357	-10

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

POLITICAL uncertainty prompted volatile trading which saw the March contract slip back in a highly nervous FT-SE futures market, writes Christopher Price.

March opened down at 2,471, but hesitant buying squeezed it higher, the contract reaching 2,483 by mid-morning, which turned out to be the high point of the day.

Weak short sterling and gilt markets prompted further nervousness, and March began to drift downwards, although trading remained thin.

The downward trend accelerated in the late afternoon as independent traders sold their long positions, joined by a number of institutions.

March found support at the 2,458 level and recovered slightly to close at 2,460, down 29 on the previous session and at a discount of around 8 points to its 4-point fair value premium and at a discount to the underlying market. Turnover was a low 5,126 lots.

There was also thin volume in the LTOM, with just 25,000 lots traded.

Midland Bank was the favourite, trading 2,910 contracts, although it and the other top traded stocks – Sears, Amstrad and Wellcome – reached their contract expiry date and traders closed out their positions

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS – Cont.

Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡	98¾	[illegible]	101⅝	[illegible]	9.62	9.74
Exch 12¼pc 1999	111½xd	[illegible]	114	[illegible]	11.02	10.01
Treas 10½pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	10.19	9.90
Conversion 10¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	10.05	9.85
9pc 2000‡‡	[illegible]	[illegible]	[illegible]	[illegible]	9.38	9.69
Treas 13pc 2000	[illegible]	[illegible]	[illegible]	[illegible]	11.17	10.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS – Cont.

Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int. (1)	Yield Red. (2)
Index – Linked (b)						
Treas. 2pc '94 (102.9)	124⅜	[illegible]	[illegible]	[illegible]	2.82	3.81
2pc '96 (67.9)	[illegible]	[illegible]	[illegible]	[illegible]	3.28	3.74
2½pc '01 (78.3)	[illegible]	[illegible]	[illegible]	[illegible]	4.05	4.32
2½pc '03 (78.8)	140	[illegible]	[illegible]	133	4.16	4.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales		
[illegible]	[illegible]	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. [illegible]

NGC Settlements Limited

APPOINTMENTS

New head for PA

PA Consulting Group, the international management and technology consultancy, yesterday named Jon Moynihan as group chief executive.

Moynihan moves to PA from First Manhattan Consulting Group in New York where he is currently managing vice president. He joined First Manhattan in 1982 shortly after the company was founded and played a prominent role in its growth in financial services consulting.

Before joining First Manhattan, Moynihan, 43, worked for McKinsey in Europe, and Strategic Planning Associates in the US. His education similarly spans the Atlantic; he has degrees from Balliol College, Oxford, the North London Polytechnic and MIT.

Moynihan's appointment follows the decision made last September by John Foden to step down as PA's chief executive having completed six years in that post and three as chairman, though he remains non-executive chairman.

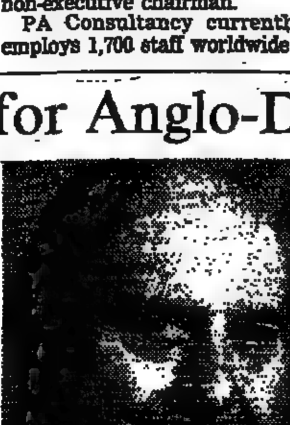
PA Consultancy currently employs 1,700 staff worldwide.

More scope for Anglo-Danish trade

Jim Davis, chairman of Scandinavian Seaways Ltd, the UK arm of the Danish ferry company, adds the position of chairman and director of the Danish-UK Chamber of Commerce to his long list of other directorships.

Davis, 63, says he intends to give the organisation, which was founded as recently as 1939, "a shot in the arm". "On their side there are all these wonderful names like Carlsberg, Bang & Olufson and Lurpak, and Denmark is one of our oldest allies. But we do a whole lot less business together than we might."

Whereas Britain is Denmark's third largest trading partner, Denmark ranks fourteenth with Britain. Last year British imports from



Denmark amounted to £2.27bn; exports were worth £1.4bn.

His career has been spent in international shipping and transportation, including at P & O, followed by 15 years as a director covering shipping and transportation finance at Kleinwort Benson. He says he qualifies for the Chamber on a number of scores – "with two Danish au pairs, and one Danish girlfriend a long time ago". He has also chaired Scandinavian Seaways UK since 1984.

Other current commitments include the chairmanships of TIP Europe and Bromley Shipping and a directorship of Associated British Ports Holdings.

Davis's predecessor at the Chamber of Commerce was Sir Ronald McIntosh, who is now advising John Gummer and the UK government on food aid to Russia.

Electronic switches

■ Pam Groves, formerly finance director and company secretary, has been appointed md of HARWELL COMPUTER POWER.

■ Ian Reynolds, vice-president communications, IBM Europe, has been appointed director of personnel and corporate affairs for IBM UK on the retirement of Sir Leonard Peach; Simon Dyson is appointed director of personnel. David Cox has been appointed market-driven quality and customer satisfaction director for IBM UK.

■ Craig Richards has been appointed md for the UK and Ireland of MEMOREX TELEX.

■ Iain McKeracher is appointed director of distribution for Europe, the Middle East and Africa, for PICTURETEL INTERNATIONAL. Previously McKeracher had set up DCE Video Communications, a subsidiary of DCE Communications, which distributed PictureTel's videoconferencing systems in the UK.

■ Jim Steward has been appointed sales director of OXFORD INSTRUMENTS microanalysis division.

■ Stephen Huckvale, a vice-president of Moog Inc, is appointed md of MOOG CONTROLS Ltd at Tewkesbury. He has worked for it in the UK, US and Japan.

POLAND

The FT proposes to publish this survey on 28th April 1992. This survey will be included in the FT of that day and will be printed in London, Frankfurt, Roubaix, New Jersey and Tokyo. It will be distributed in 160 countries world-wide. For further information about advertising in the survey, please contact

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LONDON SHARE SERVICE

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.	90½	-½	110	90½	13.0	–	–
Cap	24	-1	58	22½	–	12.2	-104.0
Stepped Pf.	129	–	139½	113	5.4	–	–
Zero Div Pf.	178½	–	172½	141	–	–	–
Warrants	6½	–	19	5½	–	–	–
Scot Value	58	+1	58	46¼	2.8	57.5	0.9
Sec Alliance	1176	-5	1255	882	4.8	1353.9	13.4
Second Market	236	–	236	199	0.9	277.1	14.8
Sec Tst Scot	68	-1	76	57½	5.1	72.5	5.5
Select Assets	99	–	102	71	1.2	135.8	27.0
Eq Ind Sert	112	-1	121	89	5.1	–	–
Eq Ind Sent	112	-1	121	89	5.1	–	–
Shires	205xd	-3	209	191	11.6	224.0	8.0
11pc Cv Ln '03/04	£102½	-5	£120½	£97½	10.7	–	–
Siam Select	88	–	99	78	1.5	102.3	14.0
Warrants	18	–	31	17	–	–	–
Smaller Cos.	71	–	93	60	4.7	82.1	13.5
Warrants	10	–	25	8	–	–	–
Sphere Inc.	15½	–	33	15	33.3	23.3	33.5
Zero Div Pf.	68	–	69¼	58¾	–	–	–
Warrants	0¾	–	9½	0¾	–	–	–
Stratton	156	–	168	120	1.6	188.2	17.1
Sumit	41xd	–	119	38	4.1	108.0	62.0
TR City of Lon. M	104½	-½	121¼	90	4.1	109.8	4.3
TR Euro Growth s	88	-2	104	78	1.5	100.0	12.0
Ptg Sub. s	51	–	58	40	2.6	–	–
TR Far East Inc.	88	-1	94	56	6.4	99.8	11.8
Warrants	13	–	23	12	–	–	–
TR High Inc.	98xd	–	115	85	8.2	95.7	-2.4
Sub.	38	-2	38	24	8.7	–	–

[illegible]

MERCHANT BANKS - Cont.

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

MERCHANT BANKS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

Teas

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- [illegible] degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other offical estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. H Assumed yield after pending scrip and/or rights issue. J Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other offical estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other offical estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE:

OFFER PRICE:

BID PRICE:

CANCELLATION PRICE:

TIME:

HISTORIC PRICING:

FORWARD PRICING:

SCHEME PARTICULARS AND REPORTS:

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.—Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provident Mutual Life Assc. Assn.—Contd.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

For UK Life Assurance see Century Life Plc

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finance International Ltd

Hafnia Prolific International

Isle of Man Assurance Ltd

Prolific Life Intl Ltd

MANAGEMENT SERVICES

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

J. R. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fd Mngmt (Guernsey) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Rothschild Asset Management — Contd.

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

Kleinwort Benson Intl Fd Mngmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Investment

Nikko Capital Mngt (Europe) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

IRELAND (SIB RECOGNISED)

BAM Fund Management Ltd

Hafnia Prolific International Mngmt Ltd

MI Global Asset Mngmt Co Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Baring International Fund Managers (Ireland) Ltd

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs

Asset Global Funds Ltd

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● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income ... 5	[illegible]	0.4884	0.5141	10.31
CMI Core Portfolio Fund				
UK ... 5	£- 0.9898	1.0608	[illegible]	-
USA ... 5	£- 1.0823	1.1474	[illegible]	-
Japan ... 5	£- 0.5576	0.5570	[illegible]	-
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd ... 5	95.30	95.35	100.35	+0.05 10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth ... 5¼	489.6	489.6	524.3	+0.1 0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L.J. International ... 5¼	94.47	94.47	101.73	+0.70 -
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund ... 5	103.3	103.3	110.2	7.6
Merc Intl Bond ... 5	53.93	53.93	56.67	+0.18 8.7
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 622444				
Smart High Income ... 6	1.0094	1.0094	1.0945	10.22
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd ... 5	-	141.45	151.05	... 1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H ...	$17.31	18.71	-0.0007	-
*Dealings Wednesday				

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income ...			$15.38	15.851	-0.011	4.06
Capital ...			$25.[illegible]	26.[illegible]	-0.010	5.30
*Offer price includes 3% prelim. charge						
International Income Fund						
Extended Long Term* ...			$32.51	33.9894	...	4.97
*Offer Price includes 3½% total Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Mar 12 C$12.68						
First Aust Prime Inc Inv Co Ltd NAV Mar 12 US$10.58						
NAV Diluted to reflect exercise of all Wrnts C$12.36 US$10.31						
Fidelity Investment (CI) Ltd						
Sterling American ...			£2.521	2.653	+0.021	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV ...			DM16.53		(z)	-
Foreign & Colonial Mngt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash ...			$10.62		+0.01	-
Multicurrency Cash ...			$16.37		+0.10	-
Sterling Cash ...			£11.65		...	-
US$ Bonds ...			$14.42		+0.02	-
Multicurrency Bonds ...			$19.14		+0.07	-
Sterling Bonds ...			£12.77		+0.05	-
D Mark Bonds ...			DM10.41		+0.01	-
Ecu Bonds ...			Ecu11.66			-
UK Equities ...			£10.11		+0.11	-
US Equities ...			$14.21		+0.13	-
Japanese Equities ...			Y694		+0.01	-
Global Equities ...			$10.71		+0.11	-
John Govett Management (Jersey) Ltd						
Baring's Euro Gr NAV Mar 12 ...			$10.83		...	-
Spain Select Fd NAV Mar 13 ...			$9.51		...	-
Pacrapa Fd NAV Feb 28 ...			$10.38		...	-
Paragon Redemption ...			$9.99		...	-
Hungarian Inv Co Feb 28 ...			103.85		...	-

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias International Investment Fd Ltd				
Xiphias Int USD ...	$1.0951			-
Xiphias Int ECU ...	Ecu1.0761			-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund ...	$10.74			-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. g Periodic premium insurance plans. s Single premium insurance. x Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). a Offered price includes all expenses except agent's commission. z Previous day's price. ¾ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase, adj ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland, Central Bank of Ireland; Isle of Man Financial Supervision Commission; Jersey Commercial Relations Department; Luxembourg Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Attention switches to the yen

THE DOLLAR ended little changed against the D-mark, and appeared to be entering a consolidative phase, as dealers switched their attention to the yen, *writes Neil Buckley.*

Demand for the Japanese currency dominated trading. Dealers said this could be no more than a desire to realise profits on short yen positions.

It may also have been a response to plans for an emergency economic recovery package announced by the Japanese economic planning agency, which might remove the need for further interest rate cuts beyond the one the market is already expecting.

A Japanese news agency said the Bank of Japan was expected to hold an extraordinary meeting shortly to decide on a discount rate cut, which could be as large as 75 basis points. Such a cut has already been discounted by the market, and the report had little impact.

The lack of dollar buying after encouraging housing starts figures on Tuesday made some dealers believe it has entered a corrective stage.

The US currency closed down at Y132.05/15 from a Y133.15/25 start and a Y133.38/43 Asian close. Against the D-mark, it was down to DM1.6500/05, from DM1.6535/45 and DM1.6529/34.

Mr Michael Feeny, a senior dealer at Sumitomo Bank, said: "The US economy has now turned, production is picking up, housing activity is up, but the market has already priced in the recovery. That means we may see no new highs for a while."

He said he expected to see the dollar consolidating for a week or two, before pushing towards DM1.70.

President F.W. de Klerk's resounding victory in the South African referendum on political reform gave a very strong boost to the financial rand, which closed against the dollar at R3.7280, from a previous close of R3.9610.

Dealers said the result would increase foreign investors' confidence in South Africa, and predicted further near-term gains for the rand.

The D-mark was mixed against the EMS currencies, as the markets shrugged off faint rumours that the Bundesbank might raise interest rates today, arising partly from the news that Mr Helmut Kohl, the chancellor, was to attend its council meeting.

Despite one rumour that the reason for this was that Mr Kohl wanted to dissuade the bank from a rate increase, most dealers felt such a rise was extremely unlikely.

The D-mark was stronger against sterling, which closed down at DM2.8550/57 from DM2.8610/15 on Tuesday. Sterling fell at the opening after two opinion polls gave the opposition Labour party a five-point lead over the Conservatives in the UK election race, but remained around its effective ERM floor, with some buying interest at that level keeping it underpinned.

Against the dollar, sterling weakened to $1.7290, from a previous $1.7340.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.180	-3.33	6.12	57
Belgian Franc	42.4032	42.0474	-0.84	3.45	36
Dutch Guilder	2.31643	2.29985	-0.72	3.32	31
D-Mark	2.05586	2.04190	-0.68	3.28	30
Irish Punt	0.767417	0.766175	-0.16	2.75	3
Italian Lira	1538.24	1536.32	-0.12	2.71	2
French Franc	6.89509	6.93480	0.58	2.00	-37
Danish Krone	7.84195	7.93132	1.14	1.43	-66
Sterling	0.696904	0.714905	2.58	0.00	-91

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar 18	Latest	Previous Close
£ Spot	1.7305 - 1.7315	1.7350 - 1.7360
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar 18	Previous
8.30 am	90.0	90.2
9.00 am	90.0	90.1
10.00 am	90.0	90.1
11.00 am	90.0	90.1
Noon	90.0	90.1
1.00 pm	90.0	90.1
2.00 pm	90.0	90.1
3.00 pm	89.9	90.1
4.00 pm	89.9	90.2

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Mar 17

CURRENCY RATES

Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Mar.17

OTHER CURRENCIES

Mar 18	£	$
Greece	[illegible]	[illegible]
Hong Kong	13.3650 - 13.3780	7.7390 - 7.7410
Iran	2475.00*	1432.50*
Korea(Sth)	1326.00 - 1347.40	766.50 - 775.70
Kuwait	0.50900 - 0.51000	0.29480 - 0.29530
Luxembourg	58.80 - 58.90	33.95 - 34.05
Malaysia	4.4870 - 4.4950	2.6010 - 2.6030
Mexico	5217.05 - 5228.70	3061.25 - 3062.25
N Zealand	3.1485 - 3.2530	1.8215 - 1.8240
Saudi Ar	6.4590 - 6.5355	3.7495 - 3.7505
Singapore	2.8510 - 2.8580	1.6500 - 1.6520
S Af (Cm)	4.9635 - 4.9750	2.8745 - 2.8765
S Af (Fn)	6.4255 - 6.4630	3.7175 - 3.7335
Taiwan	43.20 - 43.40	25.00 - 25.10
U.A.E.	6.3240 - 6.4010	3.6715 - 3.6735

*Floating rate. Iran Official rate £115.25 $67.25

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.18-5.13pm. 12 Month 8.90-8.80pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Mar 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	5½ - 5¼	5½ - 5⅜	5⅜ - 5¼	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾
Danish Krone	10 - 9¾	10 - 9¾	10 - 9¾	10 - 9¾	10 - 9¾	10 - 9¾
Asian $Sing	3½ - 3¼	3½ - 3¼	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	4 - 3⅞
Spanish Peseta	12⅝ - 12½	12⅝ - 12½	12⅝ - 12½	12⅝ - 12½	12⅝ - 12½	12⅝ - 12½

Long term Eurodollars: two years 6¼-6⅛ per cent; three years 6¾-6⅝ per cent; four years 7⅛-7 per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Mar.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.733	2.858	228.9	9.703	2.588	3.215	2148.	2.066	58.85	1.400
$	0.577	1	1.649	132.0	5.599	1.493	1.855	1239	1.192	33.96	0.808
DM	0.350	0.606	1	80.06	3.395	0.906	1.125	751.6	0.723	20.59	0.490
YEN	4.371	7.574	12.49	1000.	42.41	11.31	14.05	9388	9.030	257.2	6.119
F Fr.	1.031	1.786	2.945	235.8	10.	2.667	3.313	2214	2.129	60.65	1.443
S Fr.	0.386	0.670	1.104	88.41	3.749	1	1.242	830.0	0.798	22.74	0.541
N Fl.	0.311	0.539	0.889	71.17	3.018	0.805	1	668.1	0.643	18.30	0.435
Lira	0.466	0.807	1.331	106.5	4.517	1.205	1.497	1000.	0.962	27.40	0.652
C $	0.484	0.839	1.383	110.7	4.697	1.253	1.556	1040	1	28.48	0.678
B Fr.	1.699	2.945	4.856	388.8	16.49	4.398	5.463	3650	3.511	100.	2.379
Ecu	0.714	1.238	2.041	163.4	6.931	1.849	2.296	1534	1.476	42.04	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

PARIS

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7325	1.7229	1.7051	1.6809	1.6440

BASE LENDING RATES

Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Beneficial Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

Polls cause jitters

TWO opinion polls showing the opposition Labour party with a five-point lead over the Conservatives made the UK money market nervous once more, with rates firming across the spectrum.

The market did draw a little consolation from a 0.4 per cent rise in retail sales, fuelling hopes that consumer spending may be starting to recover. But this did not stop rates firming again to levels more appropriate to a 10¾ per cent base rate than 10½ per cent.

All interbank rates climbed, with the three-month up $\frac{1}{16}$ to 10$\frac{13}{16}$-10$\frac{11}{16}$ per cent, the six-month up ⅛ to 10$\frac{15}{16}$-10$\frac{13}{16}$, and the one-year up $\frac{3}{16}$ to 11-10⅞.

The June sterling contract opened 16 basis points down at 89.13 and slid away to 89.08.

The Bank of England did its best to sustain confidence and keep trading rates within a realistic distance of 10½ per cent by relieving the market of a large slice of longer-dated bills in early assistance.

It forecast a shortage of around £950m, but a large part of this was covered in early operations as the market seized the opportunity to unload £572m of bank and treasury bills in bands 3 and 4. The latest opinion polls had underlined the risk of carrying longer paper, and the Bank's price of 10$\frac{9}{16}$ per cent for band 3 and 10$\frac{9}{16}$ per cent for band 4 was better than anything that could be obtained in the market.

Overnight rates dropped from 10$\frac{11}{16}$-10$\frac{9}{16}$ per cent to 10½-10¼, and eased again after midday, when the Bank purchased £350m band 1 bank bills at 10⅝ per cent, taking out most of the remaining shortage.

This was later revised upwards to £1bn, while the Bank purchased a further £100m band 1 bank bills to take the day's assistance to £1,022m. Overnight rates fell away to 7-5 per cent, reflecting the apparent excess on operations.

In Germany, the Bundesbank's injection of DM1.2bn via its weekly securities repurchase was seen as a technical move offsetting quarterly tax payments, and gave no signal about the likely outcome of today's Bundesbank council meeting.

Despite some speculation in the currency markets that the council might tighten monetary policy, dealers said they could see no reason for such a move. German call money was steady at 9.60 per cent, with demand and supply in balance.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.18) 3 months US dollars		6 months US Dollars	
bid 4⅜	offer 4½	bid 4½	offer 4⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — *Treasury Bills and Bonds*

Lunchtime					
Prime rate	6½	One month	3.82	Three year	6.27
Broker loan rate	5	Two month	4.07	Five year	7.04
Fed. funds	4	Three month	4.15	Seven year	7.34
Fed. funds at intervention	-	Six month	4.38	10-year	7.61
		One year	4.69	30-year	8.01
		Two year	5.79		

Mar.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.55-9.65	9.60-9.70	9.60-9.70	9.60-9.70	9.56-9.66	9.75
Paris	9¼-9⅝	9⅞-10	9⅞-10	9⅞-10⅛	9⅞-9⅞	9.60
Zurich	7⅞-8⅛	8⅛-8⅜	-	8⅛-8⅜	-	-
Amsterdam	9.31-9.37	9.50-9.60	-	9.54-9.62	-	-
Tokyo	5⅝-5⅜	5⅛-5⅜	-	4⅞-4⅝	-	-
Milan	12-12⅛	12⅛-12⅞	-	12⅞-12⅛	-	-
Brussels	9.50-9.62	9⅝-9⅞	-	9⅝-9⅞	-	-
Dublin	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜	-

LONDON MONEY RATES

Mar 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10$\frac{11}{16}$	10$\frac{9}{16}$	10¾	10$\frac{13}{16}$	10⅞	10$\frac{15}{16}$
Interbank Bid	5	10¼	10⅝	10$\frac{11}{16}$	10¾	10$\frac{13}{16}$
Sterling CDs	-	-	10$\frac{11}{16}$	10¾	10¾	10⅞
Local Authority Deps	10⅝	10½	10$\frac{11}{16}$	10$\frac{11}{16}$	10$\frac{13}{16}$	10$\frac{15}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10$\frac{13}{16}$	10$\frac{13}{16}$	11⅛	10$\frac{15}{16}$
Finance House Deposits	-	-	10¾	10$\frac{13}{16}$	10⅞	10$\frac{15}{16}$
Treasury Bills (Buy)	-	-	10⅜	10⅜	10⅜	-
Bank Bills (Buy)	-	-	10⅝	10½	10⅜	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.35	4.35	4.52	5.10
SDR Linked Dep. Offer	-	-	6⅝	6⅝	6⅝	6⅝
SDR Linked Dep. Bid	-	-	6½	6½	6½	6½
ECU Linked Dep. Offer	-	-	10⅛	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	10	10	10	10

Treasury Bills (sell); one-month 10⅛ per cent; three months 10⅛ per cent; six months 9$\frac{15}{16}$ per cent; Bank Bills (sell); one-month 10⅞ per cent; three months 10⅛ per cent; Treasury Bills: Average tender rate of discount 10.1247 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1992. Agreed rates for period Mar.25, 1992 to April 25, 1992, Scheme I: 11.67 p.c., Schemes II & III: 11.64 p.c. Reference rate for period Feb 1, 1992 to February 28, 1992, Scheme IV&V: 10.433 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from March 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent, nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

...¥ ... $ ... £ ... DM ...
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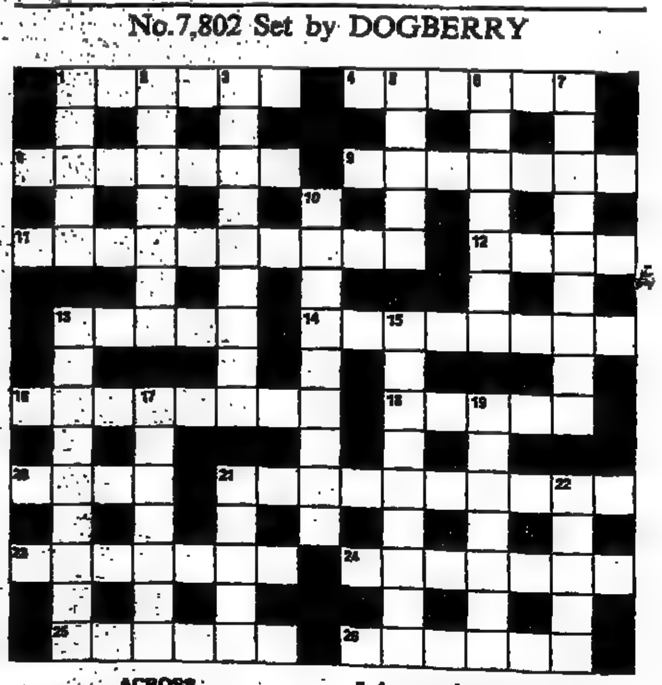
CROSSWORD

No.7,802 Set by DOGBERRY



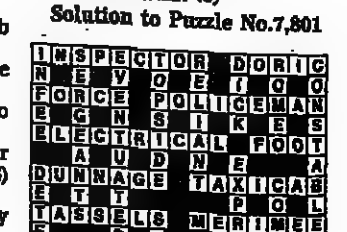
ACROSS

1 Posterity gets note after in coat (6)
4 Ancient city's culture in the bath (6)
8 One among the players of a game (7)
9 She went down big (7)
11 Manic cools off with smashing portrayals (12)
12 Inverted cross of god (4)
13 Drug I kicked, doing bird (5)
14 Altarpiece hit; crypt vandalised (8)
16 No regret, on reflection, about vegetable from Brussels (8)
18 Glacial feature in the River of Jordan? (5)
20 Keep an eye on incline (4)
21 Thinking of model in diplomatic service (10)
23 Continuous assault on pub pet (7)
24 Prophet turning to embrace a Catholic excrescence (7)
25 Gay lord losing right to become luminous (6)
26 Toast to Labour leader drunk by old Tory leader (6)

DOWN

1 Foreign currency initially controlled internally (5)
2 Coach brings Ulster's culture up to Queen (7)
3 Recent development involving diamonds inspires caution (9)
5 A spreader of light on the Doctrine of Public Relations? (5)
6 Number of years torn out: predictable stuff (7)
7 MC in love with Aida: better for the digestion? (5,4)
10 Graduate's fuss about money is torture (9)
13 Queen swallows flower to help servant (9)
15 Provence of your cholesterol intake said to cause obsession (9)
17 Well-behaved messenger (7)
19 Type of illusion on the Seine: the said river flows uphill (7)
21 Medic to pull up for VIP (5)
22 Sex-appeal bringing love to a standstill? (5)

Solution to Puzzle No.7,801



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · ITALY · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

3:00 pm prices March 18

[illegible]

MONTREAL

3:00 pm prices March 18

[illegible]

INDICES

NEW YORK

DOW JONES	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3256.04	3236.36	3235.91	3208.63	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.50	98.54	98.69	98.67	99.81 (6/2)	98.50 (17/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1408.62	1395.74	1400.78	1393.12	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.87	204.06	203.30	204.43	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3272.58 (3249.11) Low 3222.27 (3201.25)

STANDARD AND POOR'S

	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	409.58	406.39	405.84	403.89	420.77 (15/1)	403.89 (12/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	487.93	483.80	483.15	480.59	499.27 (15/1)	480.59 (12/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.32	34.00	33.91	33.76	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	2.64 (1/10/74)
NYSE Composite	226.01	224.44	224.30	223.30	231.85 (15/1)	223.30 (12/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	405.64	402.88	404.06	403.59	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	623.27	617.94	618.62	615.92	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Mar 13	Mar 6	Feb 28	year ago (approx.)
Dow Industrial Div. Yield	2.86	2.84	2.79	3.42
	Mar 11	Mar 4	Feb 26	year ago (approx.)
S & P Industrial div. yield	2.64	2.61	2.57	2.83
S & P Indl. P/E ratio	28.51	28.61	29.03	17.53

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Singer	2,873,900	23⅞	+ 2
Chrysler	2,798,500	18	+ ⅛
Unisys	2,500,800	10⅛	+ ⅛
Glaxo	2,325,300	27	- ⅛
Eastman Kodak	2,282,900	40⅛	- ⅛
Am T & T	2,119,000	39⅛	+ 1
Telefonos	2,044,700	55⅛	+ 1
Ford Motor	1,958,300	38⅛	+ ⅛
Circle K	1,887,100	⅛	+ ⅛
Fed Express	1,717,300	55⅛	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 17	Mar 16	Mar 13
New York SE	187.240	151.280	176.000
Amex	14.694	15.669	17.098
NASDAQ	173.766	140.845	165.613
NYSE			
Issues Traded	2,221	2,213	2,191
Rises	1,063	771	996
Falls	649	926	669
Unchanged	509	516	526
New Highs	57	33	29
New Lows	16	30	19

CANADA

TORONTO	Mar 17	Mar 16	Mar 13	Mar 12	1992 HIGH	1992 LOW
Metals & Minerals	2968.93	2961.53	2985.40	3002.51	3238.87 (16/1)	2935.22 (2/1)
Composite	3439.84	3444.14	3475.79	3479.84	3666.00 (16/1)	3439.84 (17/3)
MONTREAL Portfolio	1800.33	1806.92	1821.66	1830.96	1937.59 (16/1)	1800.33 (17/3)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

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[illegible]

**Saturday March 14. Taiwan Weighted Pr[illegible] ‡ Subject to official recalculation. Base values of all indices are 100 except: [illegible] and DAX – 1,000, JSE Gold – 255.7, JSE [illegible] Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 18 March 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	27.2m	298	-6	Mitsubishi Estate	6.8m	989	+9
Bank Yokohama	11.2m	1,000	-20	Sanyo-Kokusaku	6.8m	535	-14
Toyota Motor	10.1m	1,300	0	Mitsukoshi	6.7m	1,040	+10
Mitsubishi Heavy	8.3m	570	-10	Ashikaga Bank	6.6m	950	-60
Shizuoka Bank	7.7m	1,180	-40	NGK Spark Plug	6.5m	792	-7

DANISH SHIPPING AND SHIPBUILDING

The FT proposes to publish this survey on
May 5 1992.
Decision makers in over 160 countries worldwide and 54% of the Chief Executives in Europe's largest companies will see this survey. If you want to reach this important audience, please call

Erna Pio (Copenhagen)
45 3313 4441
or Kirsty Saunders (London)
071 873 4823
Financial Times (Scandinavia)
Vimmelskafet 42A, 5th Floor,
DK-1161 Copenhagan K.
Tel 33 13 44 41

Data source: Chief Executives in Europe 1990

FT SURVEYS

3:00 pm prices March 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp	0.48	3.2	16	545	15	14¼	14⅞	-⅛
26	20⅝	A L Labs A	0.16	0.6	117	768	24⅞	23	24¾	+1½
68⅞	58⅛	AMP Inc	1.52	2.5	24	888	61	60¼	60⅞	+⅞
80¼	68½	AMR				274671	79	77	78½	+⅞
2⅞	1⅞	ARX			2	4	1⅞	1⅞	1⅞	
53½	43¼	ASA	2.75	6.1	13	225	45½	45	45⅛	+⅛
68⅞	58⅞	Abbott Lab	1.20	2.0	23	2768	60¼	60	60½	+⅛
13½	12⅞	Abitibi Pr	0.50	3.8	28	15	13¼	13⅛	13¼	+⅛
11⅝	10½	ACM Gvt Inc x	0.96	9.2		255	10½	d10⅛	10⅛	
10⅛	9⅛	ACM GvOpp x	0.80	8.6		192	9⅞	9¼	9¼	-⅛
9½	8⅝	ACM Gvt Sp	0.80	9.0		306	8⅞	8¾	8⅞	
11¼	10⅝	ACM Gvt Se	0.98	9.2		217	10½	10⅝	10⅝	
9⅞	8⅝	ACM Man v	0.95	10.6		129	9	8⅞	9	
12⅞	10⅝	ACM Mgage x	1.08	9.7		179	11⅛	11⅛	11⅛	-⅛
10¼	7	Acme Cleve	0.40	3.8	20	371	u10⅞	10⅝	10⅝	+½
6¼	4½	Acme Elect			4	51	u6¼	6	6⅛	
33¾	19⅞	Acuson			12	1322	19⅞	d19½	19⅝	-⅛
19⅞	19½	Adams Expr	0.46	2.5	0	98	19¾	19⅛	19⅛	
15½	13	Adobe 12Pf	2.40	16.6		32	14½	14½	14½	-⅛
5⅞	4½	Adobe Res			2	56	5	4⅞	4⅞	-⅛
49⅛	40½	Ad Micro	3.00	6.8		904	44⅛	43⅞	44	+1
21½	18½	Ad Micro P	3.00	16.2		128193	18⅞	18⅛	18½	+½
9⅝	5	Advest Grp	0.16	2.1	31	187	7⅞	7½	7½	-⅛
71⅞	67⅛	Aegon ADR			6	2	68⅝	68½	68⅝	
47	39	Aetna LF	2.76	6.3	9	1001	44	43⅝	43⅞	
12	8⅞	Ahm A	0.24	2.2	75	264	10⅞	10⅝	10⅝	+⅛
32⅞	26	Aflac	0.40	1.4	15	667	28	d27¼	27⅞	-⅛
19⅛	15⅝	Ahmanson	0.88	5.2	8	1410	17	16¾	16⅞	-⅛
22½	15	Aileen Inc			15	62	18¾	18½	18½	

- B -

- C -

- D -

- E -

- F -

- G -

- H -

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- K -

- L -

- M -

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- O -

- P - Q -

- R -

Continued on next page

A central topic.

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NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	68½	Xerox	3.00	3.9	15	867	77⅛	75⅛	76⅞	+⅛
53½	50½	Xerox4.125				z100	52	52	52½	+½
27¾	24⅞	Xtra 1.94	1.94	6.9		117	u28½	28⅛	28⅛	+⅛
36	25½	Xtra Corp	0.80	2.2	16	525	u37	36	36¼	+1⅛
27	25¼	Yankee Egy	1.60	6.0	12	35	26⅝	26⅜	26½	+⅛
1½	½	Zapata			31	381	1⅜	1¼	1¼	−⅛
11⅛	7¼	ZenithElec				51297	9⅝	9⅛	9½	+⅛
17¾	14½	Zenith Nat	1.00	6.0	7	54	16⅝	16½	16¾	+⅛
6¾	5	Zenix Inc x	0.65	12.6		122	5⅝	5⅝	5⅝	
13¼	11⅛	Zero Corp	0.40	3.1	19	120	13	12⅞	12⅞	−⅛
38	34¼	Zurn Ind x	0.88	2.4	15	103	36¼	35⅞	35¾	+⅛
14⅛	12¾	Zweig Fund	1.16	8.5		114	13¾	13⅜	13¾	+⅛
11	9⅞	Zweig Totl x	0.88	8.2		787	10½	10¾	10⅞	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices March 18

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices March 18

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wiser Oil	0.40	81	138	14¾	14	14½	+⅛
Wolohan L	0.28	16	8	22¼	21½	22	+⅛
Wolv Expl		0	178	[illegible]	¼	¼	
WiscEnWRA			5	[illegible]	[illegible]	[illegible]	
Worthgtn x	0.46	27	769	24⅞	24	24¼	−⅛
WPP Group	1.11	1	3401	2½	2⅛	2⅝	[illegible]
Wyman-Gdn	0.40	4	80	5	4¾	5	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	1848	28¾	27¼	27¾	−¼
Xoma Corp		13	2749	24	22¾	23¼	+¼
Yellow Fr	0.84	32	347	31⅛	30¼	30⅞	−⅛
York Rsch		46	3100	5¾	5¼	5⅝	+½
ZionsUtah	1.44	10	14	49	47¼	49	+1½

GREECE

The FT proposes to publish this survey on
23 April 1992.

Professional investors in over 160 countries worldwide and 54%* of chief Executives in Europe's largest companies will see this Financial Times Survey. This definitive examination of Greece, its business, its position with the European community and its politics will be retained by influential FT readers for future reference. For a copy of the editorial synopsis and advertisement rates contact

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or Connie Davis in London
Tel (071) 873 3514 Fax (071) 873 3428.

**Data source: Chief Executives in Europe 1990*

FT SURVEYS

BUSINESS IN THE COMMUNITY

The FT proposes to publish this survey on May 12 1992.
It will be of interest to the 81% of Captains of Industry in Great Britain who are readers of the FT. If you want to reach this important audience, and the FTs estimated one million readers worldwide call
Edward Batt on
071 873 4196 or
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Data source: Captains of Industry 1991/MORI

FT SURVEYS

FINANCIAL TIMES
Thursday March 19 1992

AMERICA

Dow recovers after programme trading

Wall Street

WALL STREET dithered yesterday morning, with equities trading in a narrow range at midsession, writes Karen Zagor in New York.

At 2 pm, the Dow Jones Industrial Average was up 4.02 at 3,260.06 in unexceptional volume. The slim movement in US equity markets was also registered by the broadly-based Standard & Poor's 500, which was off 0.72 at 408.86 at 1 pm. On Tuesday, the Dow added 19.68 to 3,256.04.

In the absence of any significant economic news, computer-driven programmes dominated trading yesterday morning, pushing the Dow down about 8 points at midday.

Shares in NBD fell $1 to $28¾ after the Detroit-based banking group said it would acquire INB Financial, a large Indiana-based bank, in a $876m stock swap. Each INB share will be swapped for 1.6 shares of NBD. Shares in INB soared $7 to $43 in active over-the-counter trading.

Also in the secondary market, class A shares of Chambers Development plummeted $19¼ to $11¼ after the company revised its 1991 earnings to 3 cents a share from previously reported 83 cents to reflect a change in accounting. Chambers also predicted 1992 earnings of about 48 cents a share, sharply below analysts earlier expectations of about $1.05.

Although analysts said that other waste management companies had already addressed the problems which are starting to affect Chambers, shares in a number of waste management companies fell.

Waste Management was the most active NYSE stock of the morning, tumbling $2 to $40⅞. Browning Ferris, the second biggest US waste manager, edged $⅛ lower to $22⅞. Chemical Waste Management eased $⅝ to $20.

Trading was also heavy in Blockbuster Entertainment, which firmed $¾ to $14 after Kemper Securities started coverage of the stock with an aggressive "buy" rating.

Shares in Federal Express tumbled $3⅝ to $51⅝ after Moody's, the US ratings agency, said it was reviewing the company for a possible downgrade.

The stock had added $2 on Tuesday after the US express package delivery company revealed details of a big retrenchment of its loss-making European operations.

A&P, the west coast supermarket chain, climbed $3½ to $33. Although A&P yesterday unveiled a sharp decline in fourth quarter earnings to 42 cents a share from 83 cents a year earlier, the company said that pressure on its profit margins had eased from the third quarter.

A number of blue chip issues saw heavy trading including American Telephone & Telegraph, up $⅝ to $39⅝, Chrysler, off $⅛ to $17⅞ and Citicorp, unchanged at $17½.

Secondary stocks were stronger than big board issues at midday, when the Nasdaq composite was 1.29 higher at 624.56.

High-tech stocks continued to dominate Nasdaq trading yesterday morning, with Sun Microsystems down $1⅜ to $31, Microsoft off $½ to $127¾ and Dell Computer $¼ lower at $39.

Canada

TORONTO stocks remained flat in listless trade at midday. The TSE 300 composite index fell 2.1 to 3,437.7. Advances edged declines by 216 to 202 on volume of 19.9m shares valued at C$170.2m. Early stability in the Canadian dollar after several sessions of volatility and a mixed bond market kept equity trading quiet.

EUROPE

Bourses focus on special situations in mixed trade

INDIVIDUAL stocks featured in mixed trading yesterday, writes Our Markets Staff.

PARIS was dominated by special situations. The CAC-40 index fell 15.41 to 1,928.18 in turnover of FFr2.5bn.

Pechiney International jumped FFr7.60 or 4 per cent to FFr198.60 in heavy volume of 765,600 shares after getting the green light to sell its aluminium activities to its parent, leaving it with the more profitable packaging side. Dealers were surprised that the shares reacted to strongly, since the restructuring had been widely expected. Investment certificates in the parent fell FFr6 to FFr327 with 65,250 units traded. CMB, another packaging group, fell 90 centimes to FFr198.90 with 125,000 shares traded. *Some analysts expect investors to switch out of CMB into Pechiney International.*

Perrier fell FFr63 or 3.9 per cent to FFr1,545 with 64,650 shares traded. There were rumours that the Agnelli group and Nestlé had done a deal to resolve the struggle for the mineral water company, whereby Nestlé would pay FFr1,575 per share to the Agnelli group, giving it a capital gain, and in return, Nestlé's bid would be unopposed. Euro Disney is due to replace Perrier in the CAC-40 index by today.

FRANKFURT gave up some of its early gains to close with the DAX index 2.11 higher at 1,732.18, after an intraday high of 1737.77 and a 2.18 gain to 704.45 for the FAZ at midsession. Turnover eased from DM4.4bn to DM4.3bn.

Company news moved shares both ways. BMW rose DM4.50 to DM553.50 on expectations of a 10 per cent rise in net profit when it reports today.

Schering dropped DM7.90 to DM849.10 on fears that Japan might shelve plans to legalise the pill. Schering ran sixth in the active stocks list in turnover of DM205m. Asko came 10th as it rose DM25 to DM770 on Tuesday's story that profits could treble between 1990 and 1995.

AMSTERDAM again focused on Heineken as it reached another record high, closing up Fl 4.80 or 2.6 per cent at Fl 186.00. The CBS Tendency index rose just 0.2 to 125.8.

Since reporting better-than-expected 1991 results nearly two weeks ago, Heineken has gained over 11 per cent. Investors have taken confidence from the results and signs that the company's performance in 1992 will be even better. Grolsch was pulled along by Heineken to close up Fl 1.00 at Fl 207.00.

Elsevier also recorded a new high, gaining 20 cents to Fl 117.70 ahead of tomorrow's 1991 results. VMF Stork slipped back 80 cents to Fl 44.40 after reporting a modest rise in 1991 net profit.

MILAN closed higher but dealers wondered if the bourse could hold on to its new-found strength. The Comit index rose 6.81 or 1.4 per cent to 510.09 in turnover estimated at L95bn after L80bn.

Cir, the holding company of Mr Carlo De Benedetti, rose L58 or 3.5 per cent to L1,713 *following news earlier this week that the group had raised L120bn by selling a stake in a* German automotive parts company.

Italcable rose L200 to L5,500 after reporting 1991 results in line with expectations. Italgas recovered from a drop earlier in the week on disappointing 1991 figures, closing up L90 to L3,418. Some analysts said they were downgrading their 1992 forecasts, citing margin pressure and increased debt levels.

ZURICH saw slightly higher profits and a rise in dividend, but no stock split at Brown Boveri, whose bearers rose SFr70 to SFr3,640 and gave the market a firm tone as the all-share SPI index closed 3.2 higher at 1,133.7.

STOCKHOLM majored on Tuesday's Wall Street gains and steady profits from Asea, co-owner with Brown Boveri of the international operating company, ABB. The Affärsvärlden General index rose 13.8 to 1,002.5 as Asea B climbed SKr14 to SKr338.

The forestry index closed 3.9 per cent higher, with Stora B up SKr14 to SKr289, on US recovery hopes.

MADRID weakened ahead of today's holiday. The general index closed down 0.67 at 258.55 in turnover of some Pta12bn against Pta10.8bn.

OSLO rallied with the all-share index closing up 8.07 or 1.9 per cent to 432.45 in turnover of NKr438.62m. Norsk Hydro put on NKr4.5 to NKr149.5 while Saga Petroleum free shares closed NKr3 higher at NKr39.00.

ISTANBUL was boosted by a cash inflow from bond maturity repayments and the 75-share index closed up 128.05 or 3.4 per cent at 3,899.15 in turnover of TL235.8bn. VIENNA's ATX index rose 11.72 to 1,052.35 after a 1.5 per cent gain on Tuesday with Maculan, the construction, real estate and building materials group, up another Sch40 to Sch1,275.

FT-SE Eurotrack 100 - Mar 18

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1155.26	1156.19	1155.98	1156.01	1155.36	1153.54	1153.72	1153.82

Day's High 1156.43 Day's Low 1152.40

Mar 17	Mar 16	Mar 13	Mar 12	Mar 11
1151.88	1145.61	1154.40	1149.99	1161.88

Base value 1000 (26/10/90).

Singapore ignores favourable prospects

Domestic brokers shrug off any good news as an aberration, writes Victor Mallet

Most investors in these troubled times would be happy to put money into the stock market of a country where the economy is predicted to grow at between 4 and 6 per cent this year and where brokers are forecasting average corporate earnings growth of around 15 per cent.

Not so the glum speculators of Singapore. Ignoring the underlying strength of their own economy and the sparkling stock market performance on Wall Street and in Hong Kong, they fear a repeat of the 1985-86 south-east Asian recession and have marked down the local stock exchange accordingly.

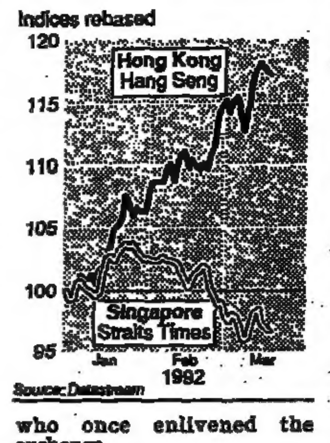
Foreign investors have been forced to follow suit. Yesterday the Straits Times Industrial index slipped 3.52 to 1,441.84, for a fall of 3.3 per cent since the start of the year, in characteristically dull trading.

Any hint of bad news has the Singapore Chinese punters nodding as if to say: "I told you so." Good news is shrugged off as an aberration: when DBS Bank announced 1991 profits at the higher end of expectations this month, the share price promptly fell. Even Sembawang Shipyard's 38.5 per cent increase in net earnings for last year has failed to lift the gloom.

"These are strange times," says one foreign broker, who thinks the real economic prospects are relatively rosy. "We have seen the market take fright over the economic outlook."

A local Chinese stockbroker explains that investors remain nervous about the effects of the world slowdown on Singapore's trade-dependent economy, and are more interested in the Tokyo market's poor performance – and Japan's financial scandals – than in Wall Street.

Furthermore, he complains, over-regulation by the Singapore authorities has driven away some of the speculators who once enlivened the exchange.



Source: Datastream

Growth prospects in Singapore's maturing domestic economy are less exciting than they were, and many of the most dynamic companies on the island are not those listed on the exchange, but the wholly-owned foreign enterprises on the industrial estates. "In the domestic corporate sector, there is a lot of capital facing too few opportunities," says another broker, "and rightly they are cautious about overseas expansion."

Singapore may be dull, but few analysts think it has far to fall. The market is on a historically low prospective 1992 price/earnings ratio of about 15 times, local interest rates are low, liquidity is plentiful, and most large companies are not highly geared.

The Stock Exchange of Singapore, meanwhile, hopes that turnover will be increased by the gradual introduction of paperless electronic trading, by the advent of stock options later this year, and by this week's allocation of SES seats to seven foreign stockbroking companies, known as international members. Mr Kok Kar Wing, SES executive vice-president, says: "Ours is predominantly a retail market, but gradually the institutional share is growing."

SES officials intend to make Singapore a regional share-trading centre: 10 Hong Kong shares and, for the first time, an Indonesian Depositary Receipt – for the tyremaker Gadjah Tunggal – are already quoted on the central limit order book (Clob) system.

So are 113 Malaysian stocks, because much of the stock is held and traded in Singapore in spite of the split between the Kuala Lumpur and Singapore stock markets three years ago. Malaysia has announced plans to go paperless, which threatens to take business away from Singapore, but the SES and the brokers are hoping to devise a way round the problem.

"I do not think the market in Malaysian shares will disappear," says Mr Kok. "We will find a way round the Malaysian thing," agrees the Chinese broker. At least it gives everyone something to think about until the market recovers.

ASIA PACIFIC

Nikkei average falls to new five-year low

Tokyo

THE Nikkei average fell to a new five-year low yesterday as selling by corporations and financial institutions continued to depress share prices, writes Emiko Terazono in Tokyo.

The 225-issue average shed 153.32 to 19,764.31, while the Topix index of all first section stocks registered a decline of 26.09 to 1,407.78, falling for the 13th consecutive day, its longest losing streak since 1953.

After opening at the day's high of 19,878.14, the Nikkei fell to the session's low of 19,490.53 on broad-based selling by institutional and individual investors, and on arbitrage unwinding.

Volume expanded to 400m shares from 350m, as life insurance companies were seen cross-trading to realise profits ahead of the March book-closing. Declining issues overwhelmed those advancing by 840 to 165, while 124 stocks were unchanged.

A total of 454 shares, or 37 per cent of all the shares listed on the first section, fell to new lows since the start of last year.

An announcement that the government had scheduled talks on measures to stimulate the economy failed to lift the market's negative sentiment.

Market participants are now looking for shares to bottom out. More optimistic analysts believe the next support for the Nikkei lies around 19,600, its one-year moving average.

Mr Ross Purdie at S.G. Warburg Securities said that while some market participants did not see any support until the 18,000 level, investors were looking to buy shares around 19,000.

Foreign pension funds were seen purchasing low-priced blue chips related to the automobile industry. The slight recovery in automobile demand in the US encouraged investors. Honda Motor moved up Y30 to Y1,490 and Nissan Motor firmed Y1 to Y570.

In contrast, large-capital steels, which investors see as "benchmark stocks", lost more ground. Nippon Steel slipped Y6 to Y296, falling below Y300 for the first time since July 1986. NKK lost Y15 to Y266 and Kawasaki Steel retreated Y11 to Y292.

Issues previously active on the Aids and environment themes weakened on meeting profit-taking. Okamoto, the leading condom maker, fell Y70 to Y1,130 and Japan Storage Battery Y40 to Y1,070.

Financial shares were lower as companies continued to liquidate holdings. Industrial Bank of Japan dropped Y210 to Y2,310 and Mitsubishi Bank fell Y110 to Y3,200.

Brokerage issues declined on earnings concern. After the market closed, leading houses announced downward earnings revisions for the current year. Nomura Securities receded Y10 to Y1,120 and Yamaichi Securities dipped Y5 to Y730.

In Osaka, the OSE average finished 423.50 lower at 20,914.37 following a record volume of 614.7m shares.

Roundup

THE CONTINUED weakness of Tokyo weighed on bourses on the Pacific Rim.

HONG KONG recovered after falling more than 100 points to an intraday low of 4,938 as investors switched out of HSBC *following Tuesday's* announcement that it was to buy Midland Bank, of the UK.

HSBC Holdings fell HK$3.00 or 6.6 per cent to HK$42.25, while the Hang Seng index finished a net 9.32 down at 5,036.07 in turnover of HK$3.4bn, against HK$2.2bn.

Bargain hunting drove the market up after the early falls and other blue chips gained. Hang Seng Bank put on 75 cents or 1.7 per cent to HK$44.00 and Bank of East Asia moved forward 90 cents to HK$22.00.

Property group Cheung Kong, forecast to report a strong increase in 1991 profits next week, advanced 50 cents or 2.2 per cent to HK$23.10.

TAIWAN fell as failure by the ruling National Party to resolve an internal dispute over democratic reform continued to depress sentiment.

The weighted index lost 38.37 to 4,851.95 in turnover of T$24.4bn, after T$29.3bn.

MANILA recovered lost ground as Philippine Long Distance Telephone (PLDT) and Philippine National Bank (PNB) were in better form after *two consecutive days of falls.* The composite index rallied 18.26 to 1,101.27 in turnover of 118m pesos.

PNB rose 11 pesos to 260 pesos and PLDT gained 20 pesos to 870 pesos.

KUALA LUMPUR ended the day above the 600 level, the first time since March 2. The composite index put on 5.91 to 600.40 in volume of 34m shares, against 27.1m.

Tanjong, the gaming group, gained 90 cents to M$10.80 amid rumours that it may extend its local operations. Telekom Malaysia rose 30 cents to M$11.60 on 1.7m shares.

SEOUL dipped slightly in the afternoon session, with buying from the Market Stabilisation Fund preventing a steeper decline.

The composite stock index ended 0.83 off at 614.36 in turnover of Won300.34bn.

BANGKOK was lifted by demand for property and finance stocks and the SET index closed 12.73 up at 808.49 in turnover of Bt6.75bn.

Krisda Mahanakorn, a property group, rose Bt8 to Bt226 and Bangkok Land gained Bt6 to Bt204.

BOMBAY fell for the second consecutive day, the BSE index closing 70.77 lower at 3,128.01.

AUSTRALIA eased afresh, the All Ordinaries index slipping 10.7 to 2,416.6 in turnover of A$171.8m.

TNT lost 4 cents to A$1.93, having announced earlier this week that it was to expand further in Europe through the acquisition of a French express carrier.

NEW ZEALAND remained lacklustre, with the NZSE-40 index closing 5.78 down at 1,448.66 in turnover of NZ$22.13m. Carter Holt Harvey appreciated 4 cents to NZ$2.32 while Telecom declined 1 cent to NZ$2.35.

SOUTH AFRICA

JOHANNESBURG closed sharply up but off earlier highs after President F.W. de Klerk won support for his reform programme in the whites-only referendum. The all-share index closed up 44 at 3,572 and industrials gained 62 to 4,447. The gold index rose 2 to 1,167 as the bullion price improved. De Beers put on R2.25 to R90.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie *in conjunction with* the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 17 1992								MONDAY MARCH 16 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	142.12	−0.2	121.69	119.89	122.07	124.96	−0.4	4.42	142.44	123.10	120.60	123.34	125.45	160.31	112.74	135.16
Austria (20)	174.48	+1.4	149.40	147.19	149.86	149.61	+0.7	1.93	172.03	148.67	145.66	148.96	148.81	222.37	153.86	199.21
Belgium (46)	139.57	+0.7	119.50	117.73	119.87	117.20	−0.2	5.07	138.58	119.77	117.33	120.00	117.40	151.20	118.04	142.00
Canada (115)	128.76	+0.0	110.25	108.61	110.58	111.61	−0.2	3.32	128.74	111.26	109.00	111.47	111.87	144.28	126.49	138.51
Denmark (36)	235.96	+0.5	202.04	199.05	202.66	205.87	−0.3	1.79	234.85	202.97	198.86	203.39	206.43	273.94	217.74	248.29
Finland (15)	78.82	−1.0	67.49	66.49	67.70	74.59	−1.7	2.11	79.59	68.78	67.39	68.91	75.88	125.15	73.32	115.05
France (109)	152.98	+1.5	130.99	129.04	131.38	134.68	+0.7	3.30	150.74	130.27	127.63	130.51	133.77	156.43	119.11	136.25
Germany (65)	118.43	+1.1	101.41	99.92	101.71	101.71	+0.2	2.24	117.19	101.28	99.24	101.47	101.47	125.35	94.15	111.14
Hong Kong (55)	209.76	−0.3	179.61	176.94	180.17	208.54	−0.2	3.73	210.45	181.88	178.19	182.24	209.05	210.88	119.62	152.24
Ireland (18)	159.08	+0.9	136.21	134.19	136.63	138.83	+0.0	3.68	157.70	136.29	133.53	136.55	138.83	182.46	132.88	170.09
Italy (77)	70.27	+0.4	60.17	59.28	60.35	65.19	−0.4	3.56	69.97	60.47	59.24	60.59	65.47	88.23	64.76	81.81
Japan (473)	105.70	−0.2	90.51	89.16	90.79	89.16	−0.6	0.95	105.93	91.54	89.69	91.73	89.69	146.97	105.70	142.79
Malaysia (68)	239.08	−0.5	204.71	201.67	205.33	238.71	+0.2	2.79	240.20	207.59	203.37	207.98	238.12	250.18	180.18	238.79
Mexico (18)	1615.37	−1.2	1383.16	1362.66	1387.40	5405.35	−1.2	1.05	1635.47	1413.43	1384.79	1418.14	5471.71	1789.77	534.45	705.55
Netherland (31)	150.38	+1.3	128.76	126.85	129.16	127.66	+0.5	4.33	148.51	128.34	125.74	128.59	127.09	156.48	125.70	136.85
New Zealand (14)	45.25	−0.2	38.74	38.17	38.86	43.97	−0.2	6.24	45.33	39.18	38.38	39.25	44.07	54.64	41.18	45.82
Norway (24)	167.92	+1.2	143.78	141.65	144.23	147.81	+0.3	1.73	165.91	143.38	140.48	143.68	147.33	223.24	157.08	201.18
Singapore (38)	209.36	+1.3	179.27	176.61	179.81	158.57	+0.0	2.17	206.75	178.68	175.06	179.02	158.54	228.43	151.63	199.17
South Africa (61)	203.32	+0.1	174.09	171.51	174.62	176.01	+0.1	2.98	203.16	175.58	172.02	175.91	175.88	271.99	173.00	202.18
Spain (51)	153.95	+1.1	131.82	129.87	132.22	121.76	+0.3	4.94	152.25	131.58	128.91	131.83	121.45	171.12	131.51	166.32
Sweden (25)	184.48	+1.3	157.96	155.62	158.45	163.59	+0.3	2.79	182.18	157.45	154.26	157.75	163.03	204.12	146.60	189.91
Switzerland (59)	98.59	+2.2	84.42	83.17	84.69	91.41	+1.2	2.18	96.45	83.36	81.67	83.53	90.36	104.22	82.17	91.30
United Kingdom (233)	172.43	+1.8	147.65	145.44	148.08	147.65	+0.8	5.05	169.43	146.43	143.45	146.70	146.43	187.44	156.27	175.42
USA (523)	167.35	+0.8	143.30	141.18	143.74	167.35	+0.8	2.92	166.05	143.50	140.60	143.78	166.05	171.86	125.95	148.59
Europe (808)	142.44	+1.4	121.96	120.16	122.34	122.85	+0.6	3.95	140.41	121.34	118.89	121.58	122.17	151.52	125.50	140.94
Nordic (100)	173.74	+0.8	148.76	146.56	149.22	147.49	+0.0	2.21	172.28	148.89	145.87	149.18	147.47	200.81	155.55	185.67
Pacific Basin (717)	110.43	−0.2	94.56	93.16	94.85	93.71	−0.5	1.33	110.66	95.64	93.70	95.82	94.22	145.92	110.43	142.43
Euro – Pacific (1525)	123.47	+0.5	105.72	104.15	106.04	105.92	+0.0	2.54	122.80	106.12	103.97	106.32	105.96	147.86	121.29	142.17
North America (638)	164.92	+0.8	141.22	139.14	141.57	163.56	+0.7	3.01	163.59	141.47	138.62	141.77	162.96	169.68	125.91	147.88
Europe Ex. UK (575)	123.85	+1.2	106.06	104.50	106.40	108.26	+0.2	3.18	122.36	105.75	103.63	105.76	107.86	129.80	103.56	120.05
Pacific Ex. Japan (244)	157.14	−0.2	134.55	132.58	134.96	140.33	−0.2	3.65	157.41	136.04	133.30	136.32	140.63	158.18	111.40	137.25
World Ex. US (1719)	125.48	+0.5	107.44	105.85	107.77	109.14	−0.1	2.55	124.85	107.90	105.72	108.11	108.20	148.16	122.22	142.97
World Ex. UK (2009)	135.44	+0.5	115.97	114.26	116.34	124.26	+0.2	2.43	134.79	116.49	114.13	116.72	123.96	152.39	126.90	140.89
World Ex. So. Af. (2181)	138.27	+0.5	118.40	116.65	118.77	125.59	+0.3	2.70	137.41	118.76	116.36	119.00	125.63	153.05	122.92	143.40
World Ex. Japan (1769)	157.33	+0.8	134.71	132.73	135.14	147.84	+0.6	3.32	155.90	134.73	132.02	135.01	146.96	161.90	126.89	145.69
The World Index (2242)	138.66	+0.6	118.72	116.97	119.10	126.45	+0.3	2.70	137.80	119.09	116.68	119.33	126.08	153.70	123.28	143.76

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Latest prices were unavailable for this edition. Irish market closed March 17.

BUSINESS LAW

An end to double VAT taxation

By Dominic Taylor

Attempts to impose value-added tax on the private use of company cars could backfire on HM Customs and Excise and result instead in a reduction in the cost of car leasing.

As well as removing existing VAT charges to employees who pay for their cars, there would also be a benefit to businesses as diverse as hospitals and insurance companies.

Customs sees the benefit of private use as a service supplied by companies to their employees, on the value of which VAT should be paid.

The ensuing dispute with the companies, however, could end in a fundamental change to the way the UK applies this European tax. Since the issue revolves around a case initially brought by a German individual against his local tax office, it also illustrates the extent to which the UK has already irretrievably ceded control of its taxation to superior and sophisticated European legislation.

Dr Kuhne relied on the VAT principle that there can be no taxation without a corresponding deduction

The change in VAT treatment now seems likely because the Customs' action has focused attention on this German case in which the European Court of Justice in Luxembourg ruled that a German statute similarly taxing the private use of a business vehicle was overridden by the direct effect of European VAT legislation.

From the ruling it is quite clear that the UK has made the same fundamental error as the German VAT authorities in implementing the tax, and has failed to follow the principles of the underlying European legislation. This failure is unnecessarily inflating the price of various services, including car leasing, and costing VAT-exempt businesses and private users a double charge of VAT.

To appreciate the significance of the error it must be understood that at present the whole UK car leasing industry is taxed unfairly. Unlike any other taxable business, car lessors cannot deduct the VAT on the purchase of cars from the VAT which they must pay on rentals.

In the UK, VAT can only be deducted on the purchase of a new car for resale, not when it is used for leasing or in any other kind of business. This means that, contrary to the general system of VAT, when a car is leased, tax is paid to Customs twice.

In the German case, a Dr Kuhne successfully relied on the VAT principle that there can be no taxation without a corresponding deduction. The European Court of Justice supported him in his claim that he should not be taxed on his private use of the car since he had been unable to recover VAT when he acquired it.

In the UK, Customs and Excise have been busy in recent years ensuring that VAT is not deducted by exempt businesses, such as insurers, banks and hospitals, which are not allowed to do so because they do not have to charge VAT on their services.

The principle upheld by the ECJ for Dr Kuhne supports counter-action by those businesses to remove double taxation arising from the insistence by Customs that VAT should be paid, *for example, on the use of assets shared by groups of such companies.*

It seems that Customs has not yet fully recognised that it is administering a European tax whose principles cannot be altered or omitted, and which override national laws. This was plainly demonstrated in the Kuhne decision.

The Kuhne case involved the private use of a vehicle for which the business owner made no actual charge to himself. The German authority therefore assumed a value for the deemed supply of the private use and assessed for tax accordingly.

This action was taken under a German national statute, corresponding to the European provision for taxation of private use of business assets, but with one essential difference – the European law does not charge for deemed use where the business, for whatever reason, has not been able to recover VAT on the asset purchase.

With the help of the ECJ, Dr Kuhne was therefore able to defeat the VAT charge. The Court said that the European legislation was complete and legally perfect and consequently capable of having direct effect in Community countries. The European law simply overrode the effect of the local national statute in Germany.

Although the European principle has not been enshrined in UK national law, until recently Customs and Excise did not attempt to tax such private use of cars where no actual charge was made for the use.

However, that policy showed disturbing signs of change last year with the emergence of the so-called salary sacrifice issue. It became known that Customs was levying VAT on the difference in salary between those employees who opted for company cars and those who did not, on the basis that the supposed shortfall represented the value of the car to the employee.

This policy must have caused some minor embarrassment to the Treasury, whose fiscal policy seems in recent years to have been encouraging employees to swap cars for salary.

So far, in a case involving the Co-operative Insurance Society, the VAT Tribunal has decided this matter against Customs. However, Customs is able to appeal the matter to the higher courts. Although the case was decided on other grounds, the Tribunal noted that *prima facie* the UK VAT law was proved defective by reference to the Kuhne decision.

So how does this help car leasing and exempt businesses sharing assets, all of which, unlike Dr Kuhne, make an actual economic charge for the use of the asset?

The answer is that the principle is precisely the same, whether or not any charge is actually made. There can be no taxation without deduction and if deduction is blocked, taxation must not follow.

As might be expected of legislation which is complete and legally perfect, the relevant relief is to be found in the same EC Sixth Directive on VAT invoked by Dr Kuhne, which dates from 1977.

Article 13 of the Directive deals with exemption from tax and exempts the supply of goods (which may include supply by way of lease) on which VAT has not been deducted. To leave no doubt as to its intention, the Article specifically includes those items on which VAT deduction has been blocked by national order, such as the UK block on cars.

It therefore seems clear that if asked to decide on the matter, the ECJ would conclude as it did in the Kuhne case that the exemption provision is complete and legally perfect so as to have direct effect in the UK.

Such a decision, given to a UK company, would radically change the taxation of UK car leasing and ease the burden of VAT administration for exempt businesses. It would mean either that car lessors no longer needed to charge VAT on rentals or that they should be given the right to deduction on their purchases of cars.

In either event, the cost of leasing would be reduced and, on cars purchased for the business, there would be no charges of VAT to employees, whether or not they paid for private use. In its wider application, hospitals and wholly exempt insurance groups, for instance, would no longer need to be concerned that the movement of assets might produce further charges of irrecoverable VAT.

Will HM Customs and Excise act to resolve the anomaly, or resist a change on the ground of fiscal cost?

It remains to be seen whether Customs will act to resolve the anomaly, or will resist such a change on the grounds of fiscal cost. There is, however, more at stake than a slight drop in the tax take.

The harmonisation of VAT and the removal of European trade frontiers after 1992 is meant to ease administrative burdens and level the fiscal playing field for national competitors.

The Kuhne case, and others like it, have proved that the European VAT legislation works in practice and is truly self-sufficient. It would be a pity to find that UK businesses were disadvantaged in the single market by a national administration which, in failing to recognise this fact, continued to implement an incomplete form of VAT and penalised its own trading community.

The author is senior tax manager with City solicitors Ashurst Morris Crisp.